

# **CRITICAL SUCCESS FACTORS FOR PUBLIC-PRIVATE PARTNERSHIPS IN SOUTH AFRICA**

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## STATEMENT / DECLARATION

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## ABSTRACT

The Public-Private Partnership (PPP) is a popular instrument for public service delivery. It is important that public managers will be able to recognize when a PPP would be an appropriate service delivery option, and will be able to maximize a PPP's chances of success when it is the chosen service delivery instrument.

The research question addressed in this dissertation is:

*“What are the critical factors that can be replicated that separate successful PPPs from PPPs that do not deliver or that collapse?”*

In this dissertation critical success factors for PPPs are identified through a step-by-step process in which different sources of success factors are analysed and where successively identified sets of success factors are compared and combined in a repetitive layered process of synthesis. A list of success factors is created and expanded through an iterative process of evaluation, removal of duplications, combination of related success factors and listing of unique success factors.

Success factors are found in literature while describing the PPP concept and partnership mechanics and management. Success factors are identified in partnership literature, in public governance literature, in private sector collaboration literature, in entrepreneurial studies and in a collection of perspectives on success. These perspectives include those of stakeholders, of private operators, of the third sector as well as perspectives from disciplines and knowledge and practice frameworks such as project management, corporate governance, enterprise risk management and organisational design. Additional success factors are identified in a discussion on the evaluation of partnerships, where it is shown that success factors can be derived from evaluation based on characterization, from partnership definitions, from the perspective of programme evaluation, from measuring the performance of business improvement districts, from alternating focus partnership evaluation (sector by sector, theme-based, local-level) and from service delivery evaluation. The evaluation of partnership examples also provides insight into success factors. The final filtering and synthesis of evidence uses the results of

questionnaires, from which success factors are derived, to conduct a final distillation and produce the final list of success factors identified.

A total of 466 individual success factors are identified in this dissertation, these factors are grouped into 43 distinct categories. The two most critical success factors for PPPs are identified as firstly delivering a publicly needed service and secondly achieving the objectives of the partnership.

The answer to the research question described above is that critically, two conditions must be met to make a PPP successful, and that is that the goals of the PPP must be achieved and that a public need must be satisfied. There are many additional success factors which can further define success and degrees of success, all of which are descriptions of desired conditions from the perspective of stakeholders.

The exploratory and hypothesis-generating study culminates in a hypothesis that states that if public managers are faced with a choice of service delivery options, and the use of a PPP is one option, and if the manager applies the categories of recommended critical success factors identified in this dissertation, the manager will be able to determine whether a PPP would be an appropriate service delivery vehicle, and furthermore, if PPP is chosen as service delivery vehicle, the public manager would, through the application of the success factors identified in this dissertation, have a greater chance of successful implementation of the PPP through purposeful collaboration.

The study contributes to the public management body of knowledge by covering new ground in terms of the evaluation and management of public-private partnerships.

## OPSOMMING

Publiek-Privaat Vennootskappe (PPVe) is 'n gewilde instrument vir die lewering van openbare dienste. Dit is belangrik dat openbare bestuurders sal weet wanneer 'n PPV 'n goeie opsie sal wees vir openbare dienslewering en hoe om 'n PPV se geleentheid vir sukses te verhoog as dit die gekose dienslewering-instrument is.

Die navorsings-vraag wat in hierdie proefskrif aangespreek word is:

*Wat is die kritieke sukses-faktore wat gerepliseer kan word wat suksesvolle PPVe onderskei van PPVe wat nie presteer nie of wat ineenstort?*

In hierdie proefskrif word kritieke suksesfaktore vir PPVe geïdentifiseer deur 'n stap-vir-stap proses waardeur verskillende bronne van suksesfaktore ge-analiseer word en agtereenvolgende stappe van suksesfaktore vergelyk en gekombineer word in 'n herhalende, gelaagde proses van sintese. 'n Lys van suksesfaktore word geskep en uitgebrei deur 'n iteratiewe proses van evaluasie, die verwydering van herhalings, die kombinasie van verwante faktore en die lys van unieke faktore.

Suksesfaktore word gevind in literatuur terwyl die PPV konsep en vennootskap meganismes en -bestuur beskryf word. Suksesfaktore word geïdentifiseer in vennootskap literatuur, in openbare bestuur literatuur, in privaatsektor samewerkingsliteratuur, in entrepreneur studies en in 'n versameling perspektiewe op sukses. Hierdie perspektiewe sluit in die van belanghoudendes, van private operateurs, van die derde sektor sowel as perspektiewe van dissiplines en kennis en praktyk raamwerke soos projektebestuur, korporatiewe bestuur, ondernemingsrisikobestuur en organisatoriese ontwerp. Bykomende suksesfaktore word geïdentifiseer in 'n bespreking oor die evaluasie van vennootskappe, waar dit aangedui word dat suksesfaktore afgelei kan word van karakter-gebaseerde evaluasie, van die prestasiemeting van besigheidsverbeteringsdistrikte ("Business Improvement Districts"), van alternatiewelik-fokusende vennootskap-evaluasie (sektor-vir-sektor, tema-gebaseerd, plaaslike vlak) en van dienslewering-evaluasie. Die evaluering van vennootskap voorbeelde voorsien ook insig in suksesfaktore. Die finale filtrering en sintese van bewyse gebruik vraelyste, waarvandaan suksesfaktore

afgelei word, vir 'n finale distillasie en die saamstel van 'n finale lys van geïdentifiseerde suksesfaktore.

In totaal word 466 individuele suksesfaktore in hierdie proefskrif geïdentifiseer, wat in 43 aparte kategorieë gegroepeer word. Die twee mees kritieke suksesfaktore wat uitgewys word is om eerstens 'n benodigde publieke of openbare behoefte te bevredig of diens te lewer, en tweedens om die doelwitte van die vennootskap te bereik.

Die antwoord op die navorsings-vraag wat hierbo beskryf word is dat daar krities aan twee voorwaardes voldoen moet word om 'n PPV suksesvol te maak, en dit is dat die vennootskap se doelwitte moet bereik word en dat 'n openbare behoefte bevredig moet word. Daar is verskeie bykomende suksesfaktore wat sukses en die mate van sukses verder kan definieer, waarvan almal beskrywings is van verlangde toestande uit die oogpunt van belanghebbendes.

Die uitset van die verkennende en hipotese-vormende studie is 'n hipotese wat lei dat, indien openbare bestuurders met 'n keuse van diensleweringsopties gekonfronteer word, en indien die gebruik van 'n PPV een van hierdie opties is, en indien die bestuurder dan die kategorieë van voorgestelde suksesfaktore wat in hierdie proefskrif geïdentifiseer is toepas, sal dit vir die bestuurder moontlik wees om te bepaal of 'n PPV 'n toepaslike diensleweringsoptie kan wees, en verder dat, indien 'n PPV die gekose diensleweringsoptie is, die openbare bestuurder deur die toepassing van die suksesfaktore wat in hierdie proefskrif geïdentifiseer is 'n groter kans sal hê vir suksesvolle implementering van die PPV deur doelgerigte samewerking.

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<b>INTRODUCTION</b>							

<b>Chapter 1: INTRODUCTION</b>
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## 1 INTRODUCTION

1 In October 2007, the Public-Private Partnership Unit of the South African National  
2 Treasury had 73 registered public-private partnership (PPP) projects on its books. Of  
3 these 73 projects, 18 were already active and had a joint value of more than R31  
4 billion (PPPU, Nov 2007). In January 2011, the list of national and local PPPs in  
5 South Africa stood at 75 and the construction phase of the R25 billion Gautrain PPP  
6 project was nearing completion (PPPU, 2011). In March 2007, PartnershipsUK had a  
7 database of 820 British PPPs and PFIs (Private Finance Initiatives – another  
8 incarnation of the PPP) that were completed since 1987. There were 143 projects on  
the database covering the period 1 April 2004 to 31 March 2007 with a total capital  
value of £13.6 billion. In January 2011, Local Partnerships LLP (one of the spin-outs  
of the by then dissolved PartnershipsUK) had a list of 410 local partnerships on their  
books (Local Partnerships, 2011), while InfrastructureUK (the other spin-out from  
PartnershipsUK) estimated that the private sector would be spending £2.8 billion  
worth of capital on PFIs in the 2011-2012 financial year (HM Treasury, 2011). It is  
clear that with such interest and investment, PPPs have been and continues to be  
seen as appropriate vehicles for the delivery of public services in these two countries.

The Public-Private Partnership has enjoyed sustained support over many years as a  
viable and desirable service delivery option in both the public and the private sector,  
and is seen as a valuable implementation tool by many developmental agencies.  
Although there is definite resistance against specific types of partnership in specific  
societies, partnerships seem to have won generally positive support. Evidence of the  
popularity of PPPs as public service delivery instruments can be seen in the  
mechanisms put in place to promote PPPs in nations as disparate as Sweden, India,  
the USA, France, Italy, China, Latvia, Egypt and Sri Lanka. Central institutions to  
promote PPPs have been set up in among others the UK, US, South Africa, Brazil,  
Mexico, the Netherlands, Japan, the Czech Republic, Nigeria, Zambia, Mauritius,  
Ethiopia, Tanzania, Uganda, Egypt and Australia (see Annexure A: List of PPP  
enablers per country on page 552).

It is not only countries that promote PPPs. The United Nations Development Programme is actively advocating the value of PPPs and encouraging their use, while the World Bank runs courses and workshops on implementing PPPs and the OECD (Organization for Economic Cooperation and Development) has a unit focusing on supporting PPP development within its member states (Hawkesworth, 2010). Similarly, private sector companies also proudly proclaim their involvement in PPPs at every opportunity as a way of expressing that they are important players involved in big projects and big business.

But how substantive is the success of PPPs?

Pronouncements by political leaders, government officials, private sector institutions, members of civil society and even organized labour would have one believe that partnerships are seen as the great new hope for public service delivery. This opinion is expressed by presidents, ministers, mayors, officials, investors, contractors and CEOs. Often the names of freshly established partnerships are unquestioningly used to show how beneficial public-private partnerships are – with no reflection on the actual success or otherwise of these partnerships. Existence seems to be equated with success. Whether there is much to show in terms of the real success of PPPs is open to debate because the real success or failure of these PPPs is not receiving much independent academic attention. It seems as if, as soon as the PPP has been established, with great fanfare and posturing, interest wanes and all the commentators move on to the next PPP launch. One could argue that the activities of a PPP *following* its establishment would surely have more bearing on the success of that partnership than the launching ceremony at its inception.

A literature survey has shown that the real success of any particular PPP is rarely investigated in depth, and that comparisons between different PPPs in terms of their success are limited. This is especially true in South Africa. Criticism of the PPP model is however not unusual. Despite the positive light in which PPPs are regarded in many countries, there is considerable resistance against and criticism of PPPs. Organized labour see PPPs as disguised privatization. Their opinion is supported by some countries calling their central bodies that promote PPPs names such as the “Ministry of Privatization and Enterprise Restructuring” in Nigeria, but is contrasted by

the South Australian government when they state in their guideline to promote PPPs that they are opposed to privatization and do not see PPPs as privatization. The Congress of South African Trade Unions (Cosatu), which describes public-private partnerships as "a form of privatization" – and they view privatization in a consistently negative light – have indicated that private sector participation should not replace government, but should complement government capacity (Phasiwe, 2005). Cosatu economist Neva Makgetla said in 2005 that private-sector contractors often lied about their capacity to deliver, especially to poor areas. Makgetla said private delivery "is fine where it will not compromise development aims" (Phasiwe, 2005). The criticism against PPPs is also evident in labour organizations' comments on the inability of PPPs to provide value for money (Hall, 2010).

PPPs face more than economic policy challenges. According to Van Ham and Koppenjan (2001), increasing dependencies between public and private organizations in recent years have led to a growing need for public-private partnerships. They believe, however, that cultural and institutional differences between the public and private domain and, in addition, the difficulties of bringing the two together, constitute a serious threat to successful public-private partnership. The formation of these partnerships is further hampered by confusion regarding the concept of public-private partnership. Van Ham and Koppenjan (2001) argue that the predominant model of contracting out restricts rather than enhances public-private interaction.

The South African Treasury describes a PPP as "[a] contractual arrangement between a public sector entity and a private sector entity whereby the private sector performs a departmental function in accordance with an output-based specification for a specified, significant period of time in return for a benefit, which is normally in the form of financial remuneration. It furthermore involves a substantial transfer of all forms of project life cycle risk to the private sector. The public sector retains a significant role in the partnership project either as the main purchaser of the services provided, or as the main enabler of the project" (Republic of South Africa, 2001:A3). The 2001 definition was taken further by a more specific and also more comprehensive definition in Treasury Regulation 16 of 2005 (Republic of South Africa, 2005: 43-44), in which it was indicated that "PPP" means a commercial

transaction between an institution (defined as including departments, constitutional institutions and public entities) and a private party in terms of which the private party performs an institutional function on behalf of the institution; and / or acquires the use of state property for its own commercial purposes; and assumes substantial financial, technical and operational risks in connection with the performance of the institutional function and/or use of state property; and receives a benefit for performing the institutional function or from utilising the state property, either by way of (i) consideration to be paid by the institution which derives from a revenue fund or, where the institution is a national government business enterprise or a provincial government business enterprise, from the revenues of such institution; or (ii) charges or fees to be collected by the private party from users or customers of a service provided to them; or (iii) a combination of such consideration and such charges or fees.

The 2001 definition is more compact than the later definition but contains a reference to output as well as the continued involvement of the public partner which the later one does not. The earlier definition is still technically correct because an entity falling within the ambit of the 2001 definition will also comply with the slightly broader 2005 definition. The more restrictive 2001 definition will be used as an initial working definition for PPPs in this dissertation due its simpler construction and ease of use as checklist – a role it will be required to play from the next paragraph. The 2001 SA Treasury definition of PPP can be used to formulate a checklist to determine whether a partnership would qualify as a PPP. Table 1-1 below illustrates how the components of the definition can become points to use to evaluate a partnership and decide whether one could classify the specific venture as a PPP. It would be possible to take an example of a partnership and evaluate it against this 8-point checklist to determine whether it would classify as a PPP in terms of the SA Treasury PPP definition. Although the SA Treasury PPP definition is a useful starting point, it is only used as a working definition at this stage of this dissertation. The checklist provided above is therefore merely an early working concept that will be returned to at a later stage.

**Table 1-1: Proposed checklist to classify a partnership as a PPP**

Requirements for partnership classification as PPP		Complies: Yes / No
1	A contractual arrangement is in place	<i>Responses to each requirement in the definition can be inserted here and a partnership can be “scored” to determine whether it could be classified as a PPP</i>
2	...between a public sector entity and a private sector entity...	
3	...whereby the private sector performs a departmental function....	
4	...in accordance with an output-based specification....	
5	...for a specified, significant period of time...	
6	...in return for a benefit, which is normally in the form of financial remuneration.	
7	There is a substantial transfer of all forms of project life cycle risk to the private sector.	
8	The public sector retains a significant role in the partnership project either as the main purchaser of the services provided, or as the main enabler of the project.	

The goal of this dissertation is not to argue the case for PPPs as a service delivery vehicle for public services. The intention is rather to recognize the PPP as an important service delivery option, and then to investigate ways of ensuring that (1) when public managers consider service delivery options they can make confident decisions about whether or not a PPP would be a good choice, and (2) when they choose or are compelled to use existing PPPs as delivery instruments, they have the best possible chance of ensuring successful implementation and value for money. Flowing from this, the real questions to be asked regarding existing PPPs are how many PPPs deliver on their promises, and what causes one PPP to succeed while others collapse or limp along dysfunctionally. Such information would enable the extraction and formulation of critical success factors for PPPs.

Importantly, the public sector manager should ultimately be less concerned with the service delivery vehicle than the service delivery outcome. Whether a PPP is used to provide water, or whether water is provided directly by the private sector, the clean running water when the taps in a specific jurisdiction are opened, should be the primary concern of the public manager. The second concern of the public manager is that the water arrives at the user at the lowest cost possible and in the most effective and efficient manner. It is the opinion of the researcher that the real success of a



PPP and any other public service delivery vehicle would be visible in improved service delivery with more efficient use of resources. Public managers must be able to determine when the use of partnerships would be a good service delivery option, and also be able to identify critical factors that could lead to the success or failure of a partnership. Public managers need to know the tool and when to use it, and when used, know how to manage it so that it has the best possible chance of success. With the sustained amount of interest PPPs continue to enjoy, recommendations for the successful implementation of PPPs and knowledge of the pitfalls to avoid, will be valuable information for public managers who might become involved in a PPP.

The area of investigation in this research will be decidedly multi-disciplinary as both public and private approaches to PPPs will need to be considered, and additional fields of study beyond public and development management will need to be interrogated for possible learning points that can be applied to PPPs. In essence the aim of the study is to arrive at critical success factors for PPPs through a process of deductive reasoning. It is envisaged that many factors which can contribute to success or failure will be identified. These factors can then be used to suggest the pitfalls to avoid and the elements to encourage in public service delivery partnerships. Recommendations can be made for the successful use of partnerships, and public sector managers can be advised on when PPPs would be appropriate delivery mechanisms for public services.

## **1.1 PROBLEM STATEMENT**

The researcher's premise is that successful PPPs will exhibit certain common characteristics which, if replicated, could increase the chance of success of other PPPs. The problem or research question to be addressed in this dissertation therefore is:

*“What are the critical factors that can be replicated that separate successful PPPs from PPPs that do not deliver or that collapse?”*

At this stage it should be noted that no hypothesis will be stated at this stage in the dissertation as the study is exploratory and hypothesis-generating as opposed to

hypothesis-testing. This type of approach is described by writers such as Mouton and Marais (1990: 36; 42). A hypothesis will be developed as part of the conclusion of this study, which is partly also a study of evaluation.

## **1.2 DESIGN AND METHODOLOGY**

It is the opinion of Mouton & Marais (1990: 36) that researchers frequently have to investigate phenomena about which few established models or theories exist. The success or failure of PPPs can be seen as such a phenomenon. In this type of situation, according to Mouton & Marais (1990: 36), researchers have to attempt to generate new models or hypotheses by using exploratory studies. Such models or hypotheses can then be used as point of departure in subsequent research. As the intention of the researcher was to conduct such an exploratory study regarding critical success factors for PPPs, the research design for this study was adapted to this purpose.

The aims of exploratory studies may be:

- To gain new insights into the phenomenon;
- To undertake a preliminary investigation before a more structured study of the phenomenon;
- To explicate the central concepts and constructs;
- To determine priorities for future research;
- To develop new hypotheses about an existing phenomenon (Mouton & Marais, 1990: 42).

As already stated, the aim of this study is to determine critical success factors for PPPs, which relates to gaining new insights into a phenomenon. Subsidiary aims include determining priorities for future research and developing a new hypothesis on PPP success which can form the basis for future research. Mouton and Marais (1990:43) indicate three methods by means of which exploratory research may be conducted:

- A review of related social science and other pertinent literature;
- A survey of people who have had practical experience of the problem to be studied;

- An analysis of “insight stimulating” examples.

All three of these methods will be implemented in this study. Because exploratory studies usually lead to insight and comprehension rather than the collection of accurate and replicable data, these studies frequently involve the use of in-depth interviews, the analysis of case studies, and the use of informants. Hypotheses tend to be developed as a result of such research, rather than the research being guided by hypotheses. The most important research design considerations which apply here are the need to follow an open and flexible research strategy, and to use methods such as literature reviews, interviews, case studies, and informants, which may lead to insight and comprehension. The best guarantee for the completion of an exploratory study is to be found in the researcher’s willingness to examine new ideas and suggestions and to be open to new stimuli. The major pitfall to avoid is allowing preconceived ideas or hypotheses to exercise a determining influence on the direction or nature of the research (Mouton & Marais, 1990: 43).

The research question indicated in the previous section will thus be pursued through an exploratory comparative study of public-private partnerships where opinions and later research results will be used in a step-by-step evidence-building approach. Case studies identified through literature, observation, questionnaires and expert interviews will be evaluated against each other to determine whether any pattern manifests itself in terms of successful or unsuccessful partnerships. In order to compare successful and failed partnerships a robust instrument will first have to be developed to objectively assess such partnerships. Once a distinction has been made between success and failure, it will be important to consider a representative and balanced sample of partnerships, with a particular focus on South Africa as the primary research area. International samples will be used to increase the depth of information where appropriate.

Information from literature will be used alongside results of questionnaires and expert interviews throughout the document. The qualitative data from expert interviews and the quantitative information from questionnaires will be required to support or contest information gathered from publications. In this study there is a risk that documented information on PPPs can be particularly prone to subjective positive bias because it is

frequently in the best interest of all involved to present a positive picture even if the outcomes of a PPP are in fact not all that positive. It may be difficult to find a balanced opinion in literature. Special effort has therefore been made to collect authoritative sources of information along with the more easily available but possibly more biased sources. The research is based on real practice and empirical research using experience and observation aimed at determining how substantive the success of the PPP is, and what can be done to increase the success of partnerships where they are used as service delivery mechanisms. The fact that PPPs are dynamic organizational organisms that develop and change as they progress through life stages has two implications for the research design. Firstly it will be necessary to pay specific attention to the description of life cycle stages of PPPs, and secondly it will be necessary to establish a regime to monitor the development of PPPs over the duration of this research project.

### **1.3 ARGUMENT STRUCTURE**

In this introductory chapter (**Chapter 1**) PPPs will be defined, the evident popularity of partnerships in public service delivery will be discussed and the need for guidance on critical success factors for such partnerships will be motivated. The chapter includes the problem statement, the research design and methodology and the argument structure that will be used.

In **Chapter 2 and 3** an overview of PPPs and other public service delivery partnerships will be presented with more detailed discussion on the types of partnerships that are found, and the purposes for which partnerships are used. The variety of partnership forms, the history of partnerships and governance arrangements for partnerships will be discussed. Where opinions on success factors are prominent in this overview they will be recorded and listed at the end of the chapter for further discussion in later chapters and evaluation in chapter six. At the end of the chapter, a start will be made with the design of a framework for the evaluation of partnerships which will be further developed in later chapters for eventual use in evaluating case studies.

It is understandably difficult for those involved in partnerships to express objective opinions about the success or failure of those partnerships, while outside commentators may be motivated to be overly negative or positive about a specific partnership due to ideological or personal reasons. It is expected that even partnerships which have been objectively judged as failed could get positive write-ups on the websites and in the publications of the role-players involved. Public relations practitioners associated with these role-players could arguably try to present anything their companies or organizations were involved in, in the most positive light possible. Nevertheless, success factors identified in literature, and specifically opinions without empirical base, may still provide direction for investigations into partnerships' success. Therefore **Chapter 4** is specifically intended to capture the opinions available in literature regarding success factors for partnerships, with a specific focus on opinions that are not clearly based on exhaustive research and which may also not be objective. These opinions will be listed as an untested source of factors which will be analysed in later chapters. In this chapter, perspectives from related disciplines and concepts will also be explored and where appropriate, added to the untested list of success factors. Critical success factors that have been identified through case-study research and through other academically robust measures will be addressed in Chapter 5. The framework for partnership evaluation that was commenced in Chapter 2 will be expanded at the end of Chapter 4 and will be the main topic of discussion in the next chapter.

In order to be able to compare successful and failed partnerships, it is necessary to have a reliable way to differentiate between success and failure and to measure performance. The goal of **Chapter 5** is to discuss ways of evaluating partnerships and to define an appropriate success measure for partnerships, with the bulk of the chapter dedicated to discussing what exactly would constitute a failed or successful partnership and how one would recognize the success or failure of a partnership. The argument will be based on information gathered through literature study, questionnaires and interviews. Upon the conclusion of the chapter a simple and robust success measurement instrument will be proposed. Once again, where success factors become apparent in the discussion, they will be listed at the end of the chapter for analysis in later chapters.

In **Chapter 6** several examples of partnerships will be discussed, based on the success measuring instrument developed in Chapter 5. Several examples each of apparently failed or successful partnerships will be described. The examples will be chosen to provide as representative a sample as possible from a wide variety of countries, sectors and types. Particular attention will be paid to presenting a wide variety of examples from South Africa. The discussion will be based on findings from research described in literature, from expert interviews and questionnaires, and from direct observation by the researcher. Success factors will be collected from each case study and listed at the end of the chapter for further discussion in Chapter 7.

In **Chapter 7** success factors identified in all previous chapters through literature study, expert interviews and questionnaires as well as case study analysis in literature and through direct observation will be compared in an effort to see whether any pattern can be discerned regarding factors that influence the success of partnerships. Where patterns become apparent, the success factors that define those patterns will be captured and listed for further discussion in Chapter 8.

In **Chapter 8** the results of the pattern search from the previous chapters will be consolidated and presented with the aim of identifying critical success factors for public service delivery partnerships. Identified critical success factors will be discussed. The chapter will also summarize the research question, premise, research methodology and arguments presented in this dissertation, and will present the conclusions regarding critical success factors for public service delivery partnerships with a related hypothesis on the critical success factors for public-private partnerships and similar instruments. Owing to the exploratory nature of the study, the hypothesis will only be generated in this chapter, based on the insights stemming from the search for critical success factors up to that stage.

This study will contribute to the public management body of knowledge by covering new ground in terms of the evaluation and management of public-private partnerships. Figure 1.1 on page 23 illustrates how evidence will be collected and filtered as the discussion progresses through the chapters as described above.

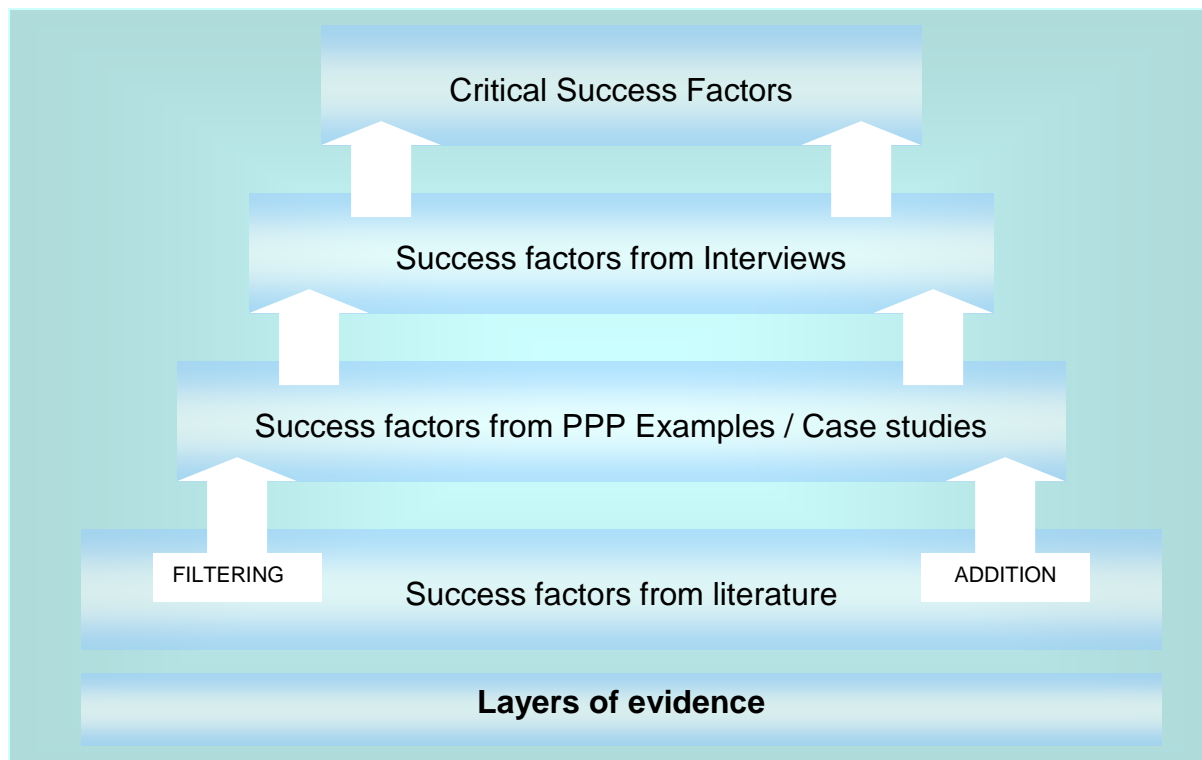


Figure 1.1: Layers of evidence in which success factors are identified also act as filters. Each success factor gains legitimacy if confirmed through other filtering levels.

#### 1.4 CHAPTER SUMMARY

In this chapter the concept and apparent popularity of the Public-Private Partnership (PPP) as a vehicle for public service delivery was introduced. A working definition of a PPP was established and a checklist was provided which can be used to determine whether a specific partnership or venture can be classified as a PPP. The aim of this dissertation was established as the determination of factors that can contribute to or detract from the success of PPPs. It was made clear that this dissertation is not aimed at supporting or discrediting PPPs, but rather at equipping public managers to know when a PPP will be an appropriate service delivery vehicle, and how a PPP can be managed most successfully once it has been chosen as service delivery vehicle. The problem statement was discussed and the research question to be answered through this dissertation was indicated as: “What are the critical factors that can be replicated that separate successful PPPs from PPPs that do not deliver or that collapse?” The research design and methodology implemented was described and the argument structure used within the dissertation was explained. In the next chapter, Chapter 2, a detailed overview of public-private partnerships will be

presented to set the scene for further discussion of factors that influence the success or failure of PPPs.



1	2	3	4	5	6	7	8
<b>PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW</b>							

Chapter 1: INTRODUCTION
<b>Chapter 2: PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW</b>
Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT
Chapter 4: CRITICAL SUCCESS FACTORS Perspective 1: Collecting opinions and evidence from literature
Chapter 5: EVALUATING PUBLIC-PRIVATE PARTNERSHIPS Perspective 2: Interrogating definitions and opinions of success to establish success measurement instruments
Chapter 6: EXAMPLES AND THEIR SUCCESS OR FAILURE Perspective 3: Analysing case studies using measurement instruments from the previous chapter
Chapter 7: SUCCESS AND FAILURE: SEARCHING FOR A PATTERN Comparing the evidence from different perspectives
Chapter 8: SUMMARY AND CONCLUSION: KEY ASPECTS OF SUCCESSFUL PARTNERSHIPS Synthesis: Evaluating the evidence
9.: ABBREVIATIONS AND ACRONYMS
10.: REFERENCE LIST
11. Annexure A: PPP ENABLERS PER COUNTRY
12. Annexure B: QUESTIONNAIRE TABLES

## 2 PUBLIC–PRIVATE PARTNERSHIPS: AN OVERVIEW

In this chapter an overview of PPPs and other public service delivery partnerships will be presented with more detailed discussion of the types of partnerships that are found, and the purposes for which partnerships are used. The variety of partnership forms and governance arrangements will be discussed. Where opinions on success factors are prominent in this overview they will be recorded and listed at the end of the chapter for further discussion in later chapters and evaluation in chapter six. The aim of this dissertation is to identify critical success factors for public-private partnerships and other public service delivery partnerships. In the previous chapter the SA Treasury definition of a PPP was presented as a working definition that will be used in this dissertation. In this chapter a more in-depth analysis of definitions relating to PPPs will be presented.

### 2.1 THE HISTORY OF PARTNERSHIPS

Opinions in literature that the PPP is a relatively new policy tool, are in contrast with other opinions that discuss the evolution of PPPs and see them not only as well-known in public management history, but also as truly ancient ways of delivering public services and products. The following table references the periods that will be discussed in the rest of this section. It should be noted that the intention is not to create a chronological account of partnership history, but rather to illustrate that partnership in producing public service is not a new invention.

**Table 2-1: A summarised partnership timeline**

Time period	Partnership examples
1200 BC	Egyptian use of mercenary armies
600 BC	Private medical practitioners contracted by Greek city-states
580 BC	Vassals of Babylonian and Persian empires, Persian public enterprises
500 BC	Water supply and public baths of Greek city-states
330 BC	Public management as a partnership
1290	Water supply to Southampton by Church
1500	Mercenary armies
1585	Contracted private warships
1600s to 1800s	Privateers / Corsairs
1602	VOC established

Time period	Partnership examples
1800s	Private prisons
1890 – 1910	Public street car systems built in Paris
1894	Electric tramway concession awarded to private person by Cape Town City Council
1930s	Political systems encouraging exclusionary public-private partnerships, e.g. Fascism in Italy
1990s	Reinventing Government movement promotes the PPP

Early references to partnership include Aristotle calling the state a partnership of citizens (Aristotle, ca 335-323 BC: 53; Clayton, 2005). From Aristotle's statement one could venture to say that public management in itself is a partnership. It is the community working together to achieve common goals through collective action, appointing representatives to manage activities to achieve those goals. Not all collective actions in different communities would take the same form, so there must be a continuum of partnership from a lower level to a higher level of cooperation between partners, as illustrated in Figure 2.1 below.



**Figure 2.1: A basic continuum of cooperation within partnerships**

The level of cooperation within a partnership is but one dimension of the character of a partnership. Other dimensions of character will be identified in later sections. Based on Aristotle's statement and from a purely historic perspective, one would have to disagree with the assertion of Linder and Vaillancourt Rosenau (2000:2) that "[p]ublic-private partnerships were relatively rare in the past and the private sector hardly ever took on the admittedly few public responsibilities that did exist, not even for pay". There are ample examples of structures, organizations and agreements similar to the modern-day PPP that existed more than a century ago. Perhaps not called by the same name and recognized as such, PPPs nevertheless existed in large enough numbers and frequently enough to discredit any opinion that PPPs are new.

One could argue that because these examples were not called PPPs, mainly because the concept of the formal PPP with a prescriptive definition attached to it is a recent development, one could not call historic partnerships PPPs. The counter-argument is that one should see the definition as a guideline and then apply it to historical partnership examples – if the definition fits, then the name can surely also be applied. In this dissertation past examples of partnerships that exhibit the characteristics of PPPs will be regarded as PPPs and will therefore add valuable insight to the exploration of the success or failure of PPPs. The 8-point checklist developed in Chapter 1 from the SA Treasury PPP definition (see Table 1-1 on page 16), can assist in determining whether past and even ancient partnerships would have qualified as PPPs if classified according to today's definition. If a PPP is a formalized type of partnership between a public and a private entity, then a continuum of formalization with partnerships must exist in the same way that a continuum of cooperation exists. Formalization implies the formal establishment of a contract as well as operating rules for a partnership. It is conceivable that a partnership can be highly formalized or informal, and the continuum of formalization that this implies is illustrated in Figure 2.2 below.



**Figure 2.2: A basic continuum of formalization within partnerships**

Formalization, then, is a second dimension of the character of a partnership after cooperation. Returning to the historical cases of partnerships and PPPs, the argument that the PPP is not a new invention is supported by Linder and Vaillancourt Rosenau (2000:2) themselves when they admit that “[p]rivate, for-profit prisons are not an entirely new invention.” Together with Schneider (2000:199–215) they acknowledge, for example, that private prisons were the norm in the 19<sup>th</sup> century. Buisson (2006:2) stresses the fact that the PPP is not a new concept. According to him, most streetcar systems in France from 1890 to 1910 were built and operated by private concessionaires, often linked to electricity suppliers, rolling-stock

manufacturers or real-estate promoters. In Paris, the Metro's tunnel, tracks, energy, signalling, rolling-stock, and other elements were built by the private operator, a Belgian entrepreneur.

From the colonial powers of the 17<sup>th</sup> and 18<sup>th</sup> centuries, to the pirates of the Caribbean, to the building of nuclear reactors, to the conservation of endangered species, public-private partnerships have more variety in implementation and history than generally realized. The background and history of public-private partnerships will be discussed in this section – first in general and then with particular reference to partnerships in disaster risk reduction because of the researcher's personal experience in the disaster risk reduction field. In the following subsections historical examples of PPPs will be described to further substantiate the opinion that PPPs do not constitute a new public management invention.

### **2.1.1 Pirates, privateers and partnerships**

Early examples of governments assigning responsibilities for the delivery of traditionally public services (in this case the military protection and expansion of foreign trade routes) to private entities (in this case ship owners and operators) include the "privateers" of the 17<sup>th</sup> and 18<sup>th</sup> centuries. A privateer was a private warship authorised by a national government. At the time, many merchant vessels were armed with cannons, and naval officers and ratings expected to benefit from prize money if they captured an enemy ship. The privateer was distinguished by the legal framework he operated in—authorised to attack enemy shipping and be treated as prisoners of war if captured. If war was not declared, or if the privateer preyed on neutral shipping, the privateer would be treated as a pirate by the enemy (Privateer, 2008). The privateer was an early sort of commerce raider, interrupting enemy trade, and was of great benefit to a smaller naval power, or one facing an enemy dependent on trade: they disrupted commerce and hence enemy tax revenue, and forced the enemy to deploy warships to protect merchant trade. Privateering was a way of mobilizing armed ships and sailors without spending public money or commissioning naval officers (Privateer, 2008).

Privateering was authorized through a letter of marque. A letter of marque is an official warrant or commission from a government authorizing the designated agent to search, seize, or destroy specified assets or personnel belonging to a foreign party who has committed some offence under the laws of nations against the assets or citizens of the issuing nation, and was used to authorize private parties to raid and capture merchant shipping of an enemy nation. A ship operating under a letter of marque and reprisal was privately owned and was called a "private man-of-war" or "privateer." The French sometimes used the term *lettre de course* for its letters of marque, giving rise to the term corsair (Letter of Marquee, 2008).

The formal statement of the warrant was to authorize the agent to pass beyond the borders of the nation ("marque" or frontier), and there to search, seize or destroy an enemy's vessel or fleet. It was considered a retaliatory measure short of a full declaration of war, and, by maintaining a rough proportionality, was intended to justify the action to other nations, who might otherwise consider it an act of war or piracy. As with a domestic search, arrest, seizure, or death warrant, to be considered lawful, it needed to have a certain degree of specificity to ensure that the agent does not exceed the intent of the issuing authority. A letter of marque given to Captain Antoine Bollo, via the ship owner Dominique Malfino from Gena, owner of the *Furet*, a 15-tonne privateer, on 27 February 1809 is illustrated in Figure 2.3 on page 31. In current-day terminology, the letter of marque can be viewed as a founding document for a PPP between a government and a private entity for the delivery of a duty or service that would normally be delivered by a government itself.



Figure 2.3: Letter of Marque

Agreements that corresponded with modern-day governance arrangements for PPPs thus existed as far back as the 1600s. Even earlier, in the Spanish war of 1585 to 1603, kings and queens chartered private ships for their war efforts. The English fleet under Drake that defeated the Spanish Armada in 1588 consisted of 197 ships, of which 163 were privately owned (Hodge & Greve, 2005:25, 28).

The eight-point checklist proposed in Chapter 1 can now be used to determine whether the privateer arrangement would qualify as a PPP today. In the table below, each requirement has been addressed and is positive, therefore qualifying the privateer arrangement as a PPP.

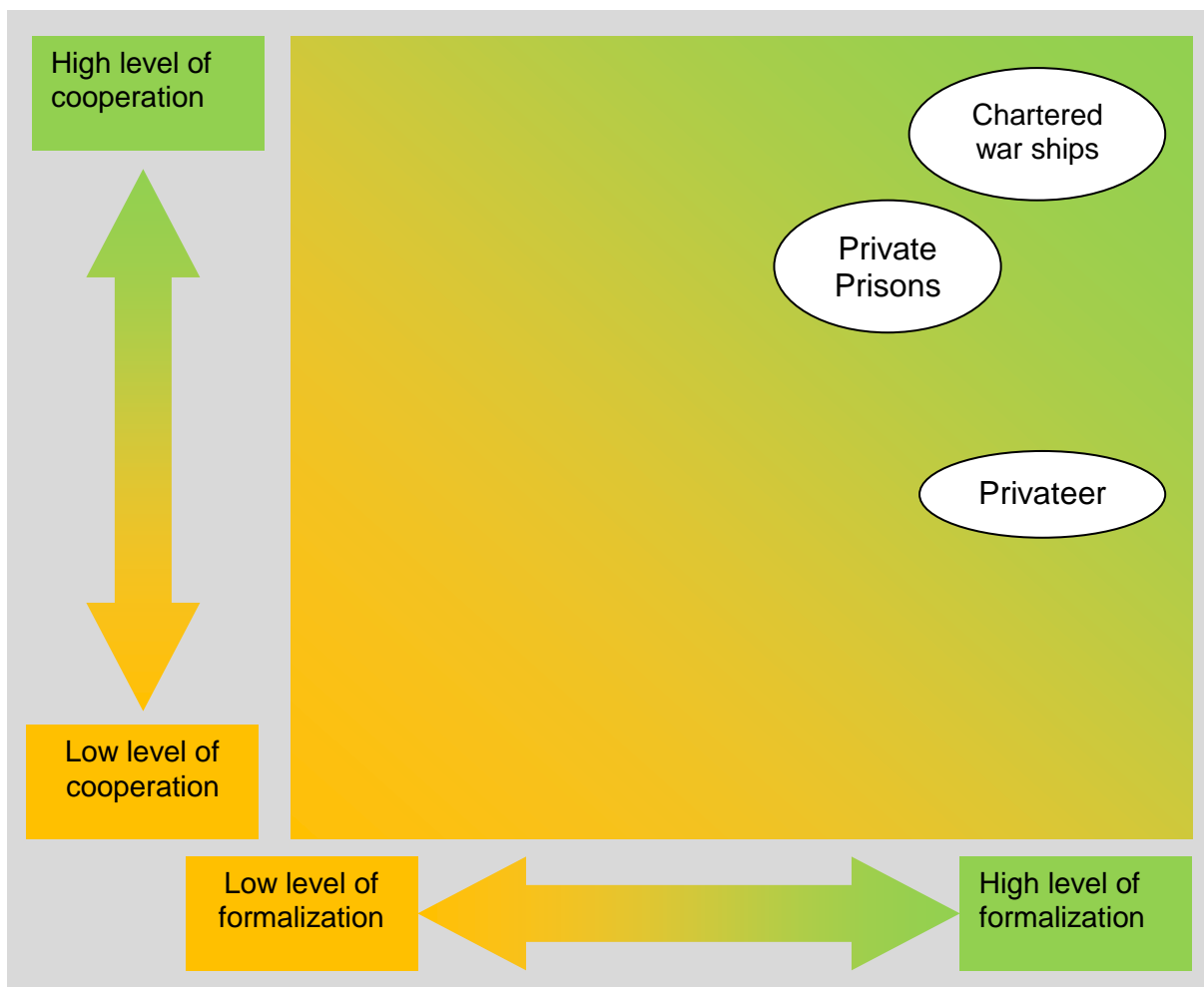
**Table 2-2: Checklist to classify a partnership as a PPP: The Privateer Arrangement**

Requirements for partnership classification as PPP: THE PRIVATEER ARRANGEMENT, 1600's – 1800's		Complies: Yes / No
1	A contractual arrangement is in place	Yes
2	...between a public sector entity and a private sector entity...	Yes
3	...whereby the private sector performs a departmental function....	Yes
4	...in accordance with an output-based specification....	Yes
5	...for a specified, significant period of time...	Yes
6	...in return for a benefit, which is normally in the form of financial remuneration.	Yes
7	There is a substantial transfer of all forms of project life cycle risk to the private sector.	Yes
8	The public sector retains a significant role in the partnership project either as the main purchaser of the services provided, or as the main enabler of the project.	Yes

The letter of marque was the founding document and contractual arrangement for the PPP. The state was involved and came to an agreement with the private owner of a ship. The private owner performed a function normally performed by a governmental military force. Specific outputs were expected of the privateer and a specific time frame was set for the agreement. The privateer stood to benefit significantly in the financial sense if successful, but was exposed to significant financial and even physical risk in the process. Finally, the government retained a significant role by having the power to revoke the agreement and by sharing in the “profits” of the privateer, and also by sharing intelligence with the privateers. If not in name, then at least in function and operation, the PPP is thus definitely a much earlier public service delivery mechanism than generally accepted.

It is now opportune to return to the earlier discussion on continuums of formalization and cooperation, called dimensions of the character of a partnership in the previous subsection. The partnership examples described above exhibit differing degrees of cooperation and formalization. The two continuums of formalization and cooperation described in this section can be combined into a two-dimensional continuum and one would be able to place these examples on this continuum according to their levels of cooperation and formalization as illustrated below.





**Figure 2.4: A two-dimensional continuum of cooperation and formalization within partnerships**

A chartered warship falling under direct control of a military officer such as an admiral would be involved in a highly formalized partnership that required intense levels of cooperation during battles at sea. Such an arrangement would thus fall in the top right of the continuum.

The private prisons mentioned in this section would also require significant levels of both formalization and cooperation but perhaps less so than in a military battle scenario. It is possible that different prisons, depending on the type of inmate and the required relationship with law enforcement and judicial authorities in the specific jurisdiction, could exhibit differing levels of cooperation with the public sector and differing levels of formalization of the relationship with the public sector. The privateer, in contrast, received a mandate and could then operate independently for months and even years, so although the relationship was highly formalized, direct

cooperation with the public sector could be intermittent. The privateer arrangement would thus fall in the middle-right part of the continuum. This continuum will be discussed and developed further at a later stage. At this point it is appropriate to return to the history of partnerships, and in the next subsection political systems that encourage public-private partnerships will be discussed.

### **2.1.2 Political systems encouraging public-private partnerships**

Political systems from the 1930's that were supportive of public-private partnerships further support the argument that the PPP is not a new construct. Some economists, in their description of fascism, make fascism sound like the ultimate public-private partnership among elites. Fascists claimed to provide a realistic economic alternative that was neither laissez-faire capitalism nor communism (Morgan, 2003:168). An inherent aspect of the fascist economy was economic dirigisme, meaning an economy where the government exerts strong directive influence, and effectively controls production and allocation of resources (Berend, 2005:93). In general, apart from the nationalization of some industries, fascist economies were based on private property and private initiative, but these were contingent upon service to the state (Gregor, 2006:7). Fascism operated from a Social Darwinist view of human relations. Its aim was to promote "superior" individuals and weed out the weak (De Grand, 1995:47).

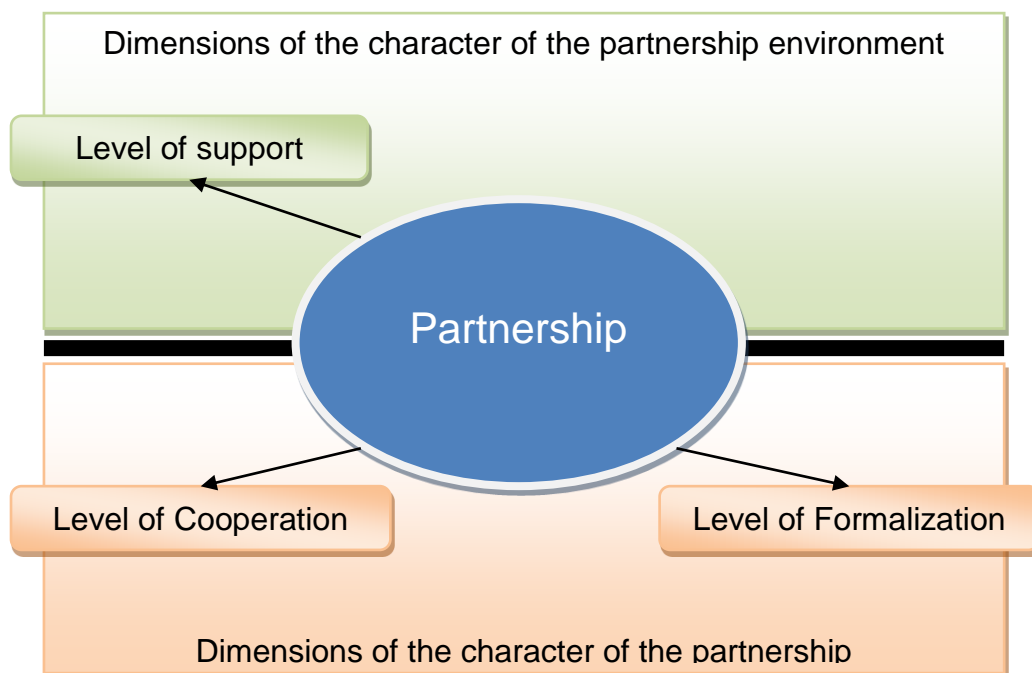
In terms of economic practice, this meant promoting the interests of successful businessmen while destroying trade unions and other organizations of the working class (De Grand, 1995:47). Lawrence Britt suggests that protection of corporate power is an essential part of fascism (2003:20). Historian Gaetano Salvemini argued in 1936 that fascism makes taxpayers responsible to private enterprise, because "the State pays for the blunders of private enterprise ... Profit is private and individual. Loss is public and social" (Salvemini, 1936). It is of course not only the fascist political system that supports public-private partnership. The liberal political-economic policies of the United States under President Bill Clinton saw solid institutional support for partnerships. It is also in this period that Osborne and Gaebler's "Reinventing Government" came out in strong support of partnering between the public and private sectors. The United Kingdom is another major

economy that has exhibited consistent support from its political system for PPPs (or PFIs), despite changes in the governing party from Conservative to Labour and back to a Conservative-led coalition. At this time it is useful to reflect that the degree to which the political system within a country supports partnerships can be represented on a continuum from no or little support to strong support.



**Figure 2.5: A basic continuum of support for PPPs within a country's political system**

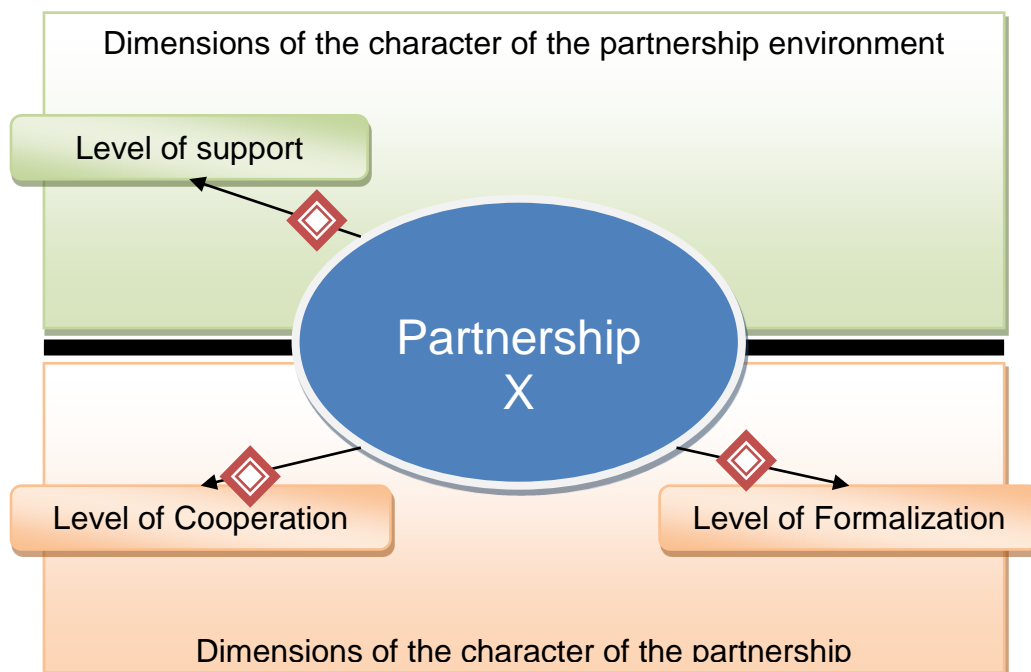
This analysis provides a dimension of analysis of partnerships that relate more to the environment of the partnership and the characteristics of that environment than the characteristics of the partnership itself. The environment of a PPP can have significant impact on its success and will be discussed in more detail at a later stage. The figure below illustrates how the dimensions of the character of partnerships can be combined in one analysis with the characteristics of the external environment.



**Figure 2.6: Dimensions of partnership and environment character**

In the figure, the name of the partnership can be indicated in the blue circle. Dimensions of partnership characteristics can then be analysed in the area under the

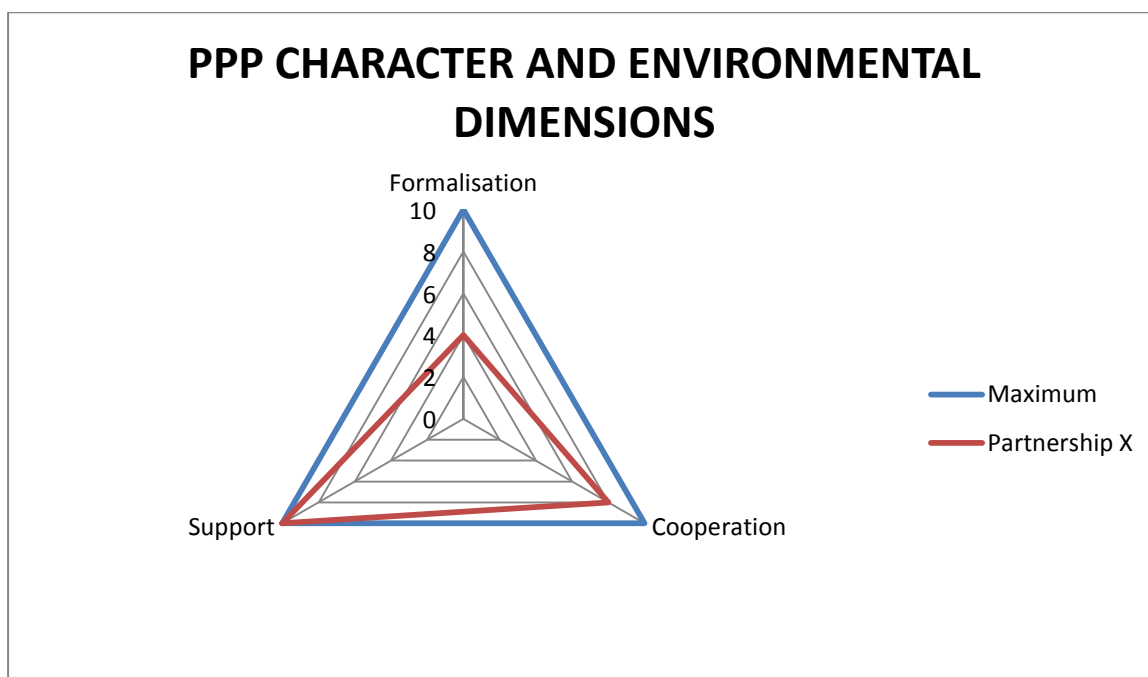
line, and dimensions of the characteristics of the environment can then be analysed in the area above the line. The three character dimensions already identified are indicated in the respective areas. One would now be able to use the arrows moving from the blue circle representing the partnership as the axis of the continuums for formalization, cooperation and support. An example could thus look as follows:



**Figure 2.7: Example of dimensions of character diagram**

The red diamond on each line or dimension represents the degree to which a partnership or its environment exhibits the specific dimension of character indicated by the flags. Each dimension has a score attached to it on a spiderweb chart, indicated by the position of a diamond on the line. The closer to the blue circle or the centre of the web the diamond is, the lower the level that the partnership exhibits on the specific dimension, the closer the diamond is to the flag, the higher the level.

The above figure can be simplified by using a figure as presented below with a simple ten-point scale applied to each dimension. In this specific diagram, only three dimensions are indicated as an example. A fictional “Partnership X” is used as an example to illustrate how a partnership could be characterized by assigning values to its character pertaining to each character dimension.



**Figure 2.8: Character dimensions of partnerships**

Returning to the historical analysis of partnerships, political systems that specifically encourage public-private partnerships, however nefarious the goals and however exclusive the benefit, again support the argument that public-private partnership is not a “new” or even recent invention. In the next section, arrangements similar to PPPs are traced as far back as ancient Egyptian times.

### **2.1.3 Mercenary armies in partnership with governments**

The mercenary army presents another historic and ancient example of public-private partnership. They also present an interesting contrast to the assumption (to be discussed in more detail elsewhere) that private entities deliver better quality services than public ones. In the partnerships between governments and mercenary armies there are grounds for assuming that private-sector organizations would be less committed than their public counterparts in delivering the service they are contracted for. Linder and Vaillancourt Rosenau (2000:3) describe how mercenary armies were

accused of generally putting personal individual interest first. This is supported in a related quote from Machiavelli (1995:38)<sup>1</sup>:

*Anyone who relies on mercenary troops to keep himself in power will never be safe or secure, for they are factious, ambitious, ill-disciplined, treacherous... In peacetime they pillage you, in wartime they let the enemy do it. This is why: They have no motive or principle for joining up beyond the desire to collect their pay. And what you pay them is not enough to make them want to die for you.*

While private organizations may protest the company they are assigned, the classification of the relationships between governments and mercenary armies as public service delivery partnerships is still valid because the relationship would necessarily need to involve much more than just a paper contract. The Satraps (or vassals) of the Babylonian and Persian empires also reminds one of partnership models. In the book *Cyropedia* written by Xenophon (circa 431–355 BC) an Athenian gentleman-soldier, the writer describes the vassal Cyrus the Great (circa 580–530 BC). The Phoenician colony of Carthage used mercenary armies and income from trade to maintain power. Before the Phoenicians, the first evidence of which places them as far back as 1200 BC, it was the Egyptians who used mercenary armies.

In as far as the Egyptian monarchs and their appointed officials can be considered as public sector, and in as far as mercenary army commanders can be considered private, the use of mercenary armies by the ancient Egyptian civilization can be considered as at least contracting-out of traditional public responsibilities and at most public-private partnerships (Perl & Weihs, 1990). This puts service delivery mechanisms akin to PPPs at the very dawn of civilization. The use of private enterprise to deliver public goods also ventured into the public health domain in ancient times - Greek city-states provided public physicians (Porter, 1999:12), the Incas instituted an annual health ceremony which included cleaning all homes (Porter, 1999:13), and in Mediterranean Europe from about 600 BC individual cities

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<sup>1</sup> This work was originally written in Italian in 1513 and published by Antonio Blado d'Asolo of Florence in 1532, the reference used here is to a reproduction of the original work.

began to appoint a physician who was paid an annual salary from local taxation but was still allowed to work for private fees as well (Porter, 1999:17). In the next section the discussion turns away from a specific time period to the very mundane and everyday transactions between suppliers and customers that have been part of human life from time immemorial.

#### **2.1.4 Partnerships between suppliers and customers**

The relationship between suppliers and their customers can be equated with partnership.

*One trend today in modern business practice is based around partnerships between suppliers and customers. To enjoy a long term relationship, both buyer and seller must reach mutual agreement about the business being transacted – not just price but a range of terms, conditions and other related ingredients. To do that, they negotiate. The skill of the negotiators will determine whether that relationship succeeds or fails. (Oliver, 2003:2)*

The way in which Oliver restricts these partnerships between suppliers and customers to “modern business” can be questioned. Trade has been part of human society since the dawn of time and it would be hard to imagine trade during the centuries happening without negotiation and a mutually acceptable outcome.

*Negotiation is a transaction in which both parties have a veto on the final outcome. It requires voluntary consent on both sides. It is a give and take process where the actual conditions of a transaction are agreed. It is the act or process of bargaining to reach mutually acceptable agreement or objective. (Oliver, 2003:3)*

If a partnership is said to exist between customers and suppliers then the public sector, as a purchaser of certain private sector products and services, can already be said to be in partnership with the private sector. Similarly, the private sector is often a customer of the public sector for services and infrastructure provision and one could thus talk of a deepened long-existing partnership between the public and

private sectors. Whether this long-standing transactional partnership can be typified as a public-private partnership in as far as the term is used and understood in this dissertation is however arguable. If considered on an individual basis, there may however be instances where such transactional partnerships have evolved to something that could very closely resemble a PPP. Where the transaction is a complex and long-term project, the opportunity for evolution into a PPP is of course more than in a simple short-term transaction. The current practice in Cape Town, where property developers can only develop a specific area after funding or physically establishing public infrastructure to be used by the new residents, such as roads and stormwater systems, is a case in point. In the next sections the discussion returns to more partnerships in ancient times.

### **2.1.5 Water Management in ancient Greece**

The way in which the supply of fresh water was managed in ancient Greece presents another example of an evolved partnership that approaches the description of a PPP.

*We are just beginning to realize that the development and ownership of water resources came not by 'natural rights' nor a series of actions, but by conscious decisions of the social group and of individuals. The community organized labor, materials, and money. They worked out the legal aspects of ownership, maintenance and control. (Crouch, 1993:24)*

It is argued that the Greek communities learned that it was most effective to allocate some tasks, such as building and maintaining cisterns (underground storage tanks) to individuals. Ordinary cistern water was private but had to be shared when the survival of the group was at stake. There is legal evidence from Athens that people were required to share well water with neighbours whose well or cistern had gone dry. Public baths were present in the 5<sup>th</sup> century BC and the community also recognized the necessity of working together and spending common funds on water supply and drainage for common benefit (Crouch, 1993:26–27, 31).



### 2.1.6 The Roman Circus

In the Roman Empire, cities were governed by the well-to-do, who formed a small ruling circle allied sympathetically to the central administration of Rome and later Constantinople (Tomlinson, 1992:11–12). The games later known as the Roman Circus originated in religious ritual, but by the time of the Empire had developed into mass, popular entertainment. Tomlinson describes how a political breakdown caused by the transformation of the political role of the city (and that means of its citizens as inhabitants) inevitably caused a crucial change in its social conditions. “If our beginning is with the apparently autocratic system of the late Bronze Age, we run the whole range of political development in the cities, through controlling aristocracies, to broader-based citizen administration, back to aristocracies (or plutocracies) to outright autocracy again” (Tomlinson, 1992:12).

The application of the PPP checklist already mentioned in earlier sections of this chapter to the Roman Circus will give an indication of whether it could be characterized as a PPP. A contractual arrangement was in place between the state and the providers of the entertainment – the gladiator and charioteer masters. Certain departmental responsibilities, such as the execution of criminals or the condemned, were carried out on behalf of the state by individuals fighting for their own lives. The fact that the masses were entertained and kept happy was another goal of the state which was pursued on its behalf by the Circus. The output-based specification was clear and permanent to the losing party: death. The duties carried out within the circus were only allowed for the duration of the “entertainment” so a specified period of time was indicated. Furthermore, gladiator masters received contracts over extended periods of time to provide their specific brand of entertainment. Survival was perhaps the most important benefit for those participating in the games, while the gladiator masters stood to gain considerable financial benefits. The gladiator masters had to take on board all the risks associated with sourcing the fighters and bringing them to the games in good condition, and had to provide training, meals and accommodation. They could also lose their fighters in the Circus. The state was not exposed to any physical risk.

The public sector, in the guise of the Roman leadership, still played a significant role in the Circus, attended events and made decisions on the survival or execution of participants in the game.

**Table 2-3: Checklist to classify a partnership as a PPP: The Roman Circus**

Requirements for partnership classification as PPP: THE ROMAN CIRCUS		Complies: Yes / No
1	A contractual arrangement is in place	Yes
2	...between a public sector entity and a private sector entity...	Yes
3	...whereby the private sector performs a departmental function....	Yes
4	...in accordance with an output-based specification....	Yes
5	...for a specified, significant period of time...	Yes
6	...in return for a benefit, which is normally in the form of financial remuneration.	Yes
7	There is a substantial transfer of all forms of project life cycle risk to the private sector.	Yes
8	The public sector retains a significant role in the partnership project either as the main purchaser of the services provided, or as the main enabler of the project.	Yes

By using the PPP checklist above, it is in fact possible to classify the Roman Circus as a PPP according to the SA Treasury PPP definition.

### 2.1.7 Olympic Games and other major sporting events

The first celebration of the Olympic Games occurred in 776 BC and this mix of public and private enterprise, individual effort and communal entertainment can be seen as an early variation on the PPP. In modern-day major sporting events such as the Olympic Games and Soccer World Cup, this pattern continues as such events require carefully integrated public and private efforts from a host nation to ensure a successful event. The successful staging of the 2010 FIFA World Cup™ in South Africa required unprecedented cooperation between the public and private sectors, while the 2008 Athens Olympics required significant investments from the private and public sector in Greece.

### **2.1.8 Constructing public buildings in ancient Greek and Roman times**

The construction of public buildings in the city-states of ancient Greece and the far-flung colonies and settlements of the Roman empires also bear comparison with partnerships between public and private entities. In ancient democracies proposals were placed before the popular assembly and voted on; buildings might then be put up from the resources of the state, but these resources were frequently exiguous in a society that avoided direct taxation as far as possible, and even in the democracies the wealth of individuals still contributed much to building. This represents a partnership between the state and its private citizens. In the Hellenistic kingdoms, state financial reserves were considerable (a legacy from the Persian system), and under the control of the kings, so that royal state financing was possible. Much of Alexandria must have been constructed from central, royal funds even though a distinct city administration seems to have existed, at least at first.

Elsewhere, in what could be typified as partnerships between satellite states and the king, independent cities relied essentially on their own resources, but were avid to acquire subsidies from the kings, playing them (and their desire for support) off against one another. The result was that, in favoured localities, small towns and cities could achieve an architectural solidity that was obviously beyond their own means. Places which could not get royal support, naturally continued in the old-fashioned style (Tomlinson, 1992:15). In frontier provinces, the army provided what amounts to a free building service. For most of the Empire though, local funding was employed. Thanks to the Roman peace, this could be extensive, and a matter of obligation imposed on local aristocrats (Tomlinson, 1992:15). Design of buildings and layout of streets were at times an organized responsibility subject to political control and carried out by professionals (Tomlinson, 1992:15). Most Greek cities, whether governed by the mass of their citizens or a more exclusive elite, entrusted political business to a council, whose size varied from place to place but often had 500 members, as in Athens, (Tomlinson, 1992:23). As much as a quarter of the total area of a city was devoted to public buildings. In the Greek city-state prior to the 12<sup>th</sup> century BC, the palace was equated with the administration (Tomlinson, 1992:38).

### **2.1.9 The provision of water after Roman decline**

“With the decline of Roman municipal administration the task of providing a public water supply was often taken up by the church” writes Porter (1999:29) about Medieval Europe. “The Franciscan friary, for example, supplied Southampton with water from 1290”. Although no public sector is involved here, due to the decline and loss of power, a partnership arrangement is still observable.

### **2.1.10 Bubonic plague response**

The emphasis on controlling the movements and lodging of healthy and sick individuals during episodes of plague during the Middle Ages reflected a clear belief in the spread of plague through direct contact, and lead to a public health partnership arrangement between state and church. The rulers of European inland city-states had sufficient power to impose (assumedly necessary) strict policing upon their citizens and enforce it through armed militia. The rulers then used the religious authorities to provide surveillance and intelligence. This collaboration equates to a partnership between state and church to protect public health. Numerous Italian city-states began providing *lazarettos* (sick houses) to house plague victims in the late fifteenth century and, like Florence, created semi-permanent public health officials serving on health boards to institute new plague regulations. In smaller towns, ‘local gentlemen’ were appointed as public health officers in times of epidemics. While physicians were consulted for their advice, the health boards were entirely political bodies administered by the local nobility or their patrician delegates. It has been argued that the plague founded public health as a function of the modern state, aimed at the management of the relationship between disease and social disorder (Porter, 1999:35–37, 42).

### **2.1.11 Early public enterprises**

Farazmand argues that recognisable public enterprises existed as long ago as the Persian Empire, in the fourth and fifth centuries BC, and these were established partly for national prestige purposes (1996:2–3).

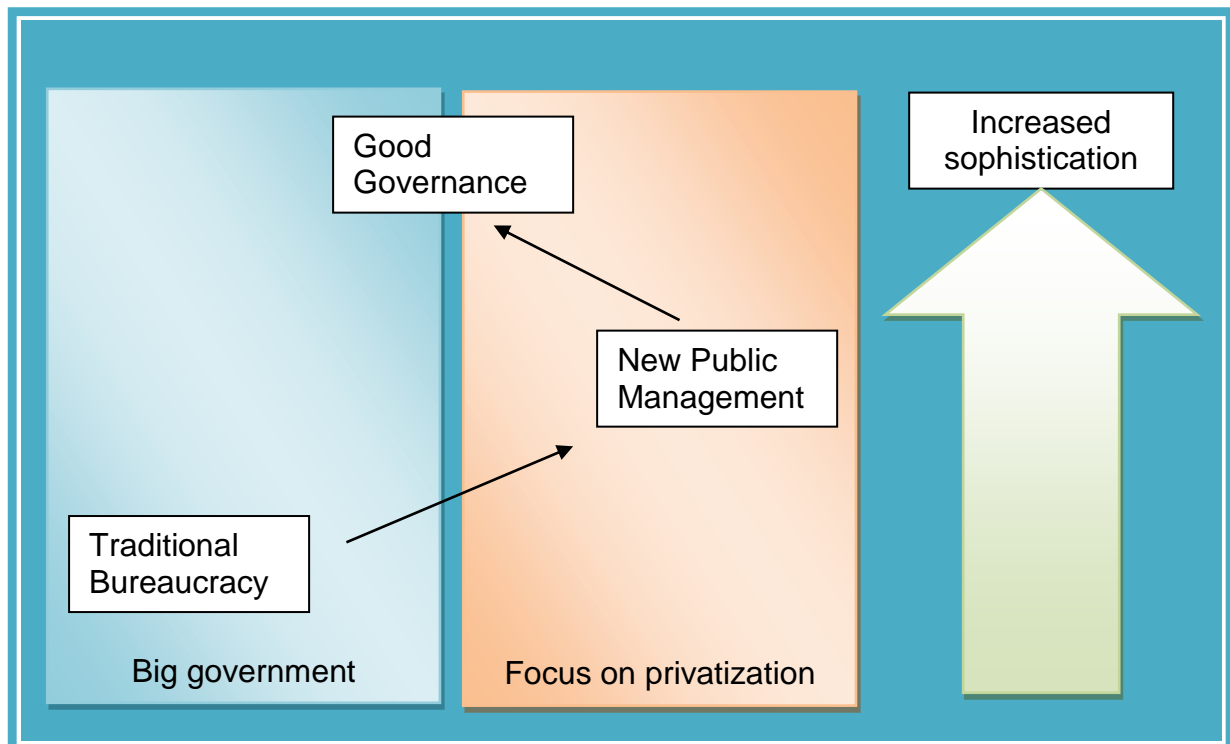
### **2.1.12 Recent international trends**

Commentators have indicated that, for whatever reason, the enthusiasm for the private sector playing a greater role worldwide in the policy sector has been overwhelming over the last decades (Barker, 1996; Linder & Vaillancourt Rosenau, 2000:4; Schultze, 1977). According to these commentators, the drive to the privatization of public services has been apparent at every level of government. They argue that this course of action involves deregulation, policy decentralization, downsizing of government, outsourcing of public services, and privatization of sectors previously assumed to be what economists called natural monopolies including gas, electricity and telephones (Linder & Vaillancourt Rosenau, 2000:4).

Incidentally, in remarking on these trends Linder and Vaillancourt Rosenau also show the propensity for many commentators to equate public-private partnership with privatization. Whether PPPs are in fact equal to privatization will be discussed in more detail later. According to these writers, there has been extensive debate on which civic responsibilities the public and private sectors respectively are best suited to deliver. They point out that the debate has included public safety, national defence, health care, housing and urban development, social services, education and recreation (Linder & Vaillancourt Rosenau, 2000:3; Machan, 1995; Savas, 1987:223). Linder and Vaillancourt Rosenau (2002:2) state that the norm has been a relatively clear separation of the private and public sectors, but cautions that this does not mean that the definition of what is private and what is public has been stable over time: "Some of what we consider public functions, today, were private in the past."

Examples of the flux between what is public and what is private include the privatization of jury trials in California (Linder & Vaillancourt Rosenau, 2000:5; Jacobs, 1997) and a global trend towards the privatization of utilities (electricity, water, gas, transportation) (Linder & Vaillancourt Rosenau, 2000:5; Moffett, 1998). Other cited examples relate to local level outsourcing in the US, increasing to include close to 600 cities by 1992 (Daley, 1996; Linder & Vaillancourt Rosenau, 2000:2). At the opposite side of the scale, nationalization of companies would create conditions with a large public or government sector.

In 2000, McQuaid wrote that partnership approaches have received widespread support from across the political spectrum, including policy makers, officials and local communities. He professed that they would likely remain high on the policy agenda at all levels. Nine years later, in 2009, these words were supported by the efforts of President Barack Obama of the United States to assist private industrial and financial entities to survive the global economic meltdown. In South Africa, in 2009, the Department of Provincial and Local Government was renamed the Department of Cooperative Governance and Traditional Affairs, confirming the primacy of the cooperation and partnership idea within government. The figure below illustrates the growing sophistication of public management and its concurrent movement between the seemingly naturally opposing extremes of big government and privatization. The figure's construction is based on a discussion with Burger (2006). The move from traditional bureaucracy to new public management includes an embracing of alternative service delivery and a bigger role for the private sector in the delivery of public services. The subsequent move towards good governance has seen a redefined, smaller role for the private sector.



**Figure 2.9: The increased sophistication of public management**

In the early 1980s there were wide-ranging attacks on the size and capability of the public sector. Almost two decades of enthusiastic privatization followed, with

alternatives for the provision of service by public bureaucracies actively pursued. This drive towards small government was visible in the USA under Reagan, the UK under Thatcher, and in the contraction of the size and budget of the public sector in countries with traditionally large public sectors such as Spain, Italy, Germany and Sweden. Economic problems in the 1980s lead to governments reassessing their bureaucracies and demanding changes. As Caiden (1991:74) noted: “All blamed the dead hand of bureaucracy, especially the poor performance of public bureaucracies and the daily annoyances of irksome restrictions, cumbersome red tape, unpleasant officials, poor service and corrupt practices.”

By the beginning of the 1990s, a new model of public sector management had emerged in most advanced countries and many developing ones. Initially, the new model had several names, including: managerialism; new public management; market-based public administration; the post-bureaucratic paradigm and entrepreneurial government. The underlying theories of the traditional model of public administration, based on bureaucracy, one-best-way, the public interest and a separation of politics from administration, all had their problems. The public management reforms have been driven by totally different underlying theories: that economic motivation can be assumed for all players in government; that private management flexibility provides lessons for government; and that there can be no separation of politics from administration. Above all else, the change of theory is from administration to management, the former being about following instructions and the latter meaning to achieve results and to take personal responsibility for doing so (Hughes, 2003:5–6).

The ideological fervour of attacks on the role of government, and efforts to reduce its size, faded somewhat in the late 1990s. There was a greater appreciation of the positive role of government (Hughes, 2003). In 2003 Hughes (5–6) wrote:

*The traditional model of public administration, which predominated for most of the twentieth century, has changed since the mid-1980s to a flexible, market-based form of public management. This is not simply a matter of reform or a minor change in management style, but a change in the role of government in society and the relationship between government and citizenry. Traditional public administration has been discredited theoretically and practically, and the*

*adoption of new forms of public management means the emergence of a new paradigm in the public sector.*

This revolt against the traditional model of public administration resulted in the competing paradigms of public administration and public management. The reform of public sector management has been a reaction to the perceived excesses of the welfare state, both in the macro sense, as reflected in the growing size of government and associated fiscal deficits, and in the micro sense, in the perceived recognition of limits to government's ability to solve all problems for its citizens (Holmes & Shand, 1995:552). Pollitt and Bouckaert (2000:90) noted how possible bureaucratic solutions to problems were being disregarded:

*Suggesting...that an existing or new activity would be better placed within an enlarged central ministry or as a direct, state-provided service, becomes an uphill struggle – it is 'beyond the pale', not the done thing...Likewise the proposition that working partnerships with a range of private and 'third sector' bodies to deliver a service may be simply time-consuming, wasteful and a threat to clear public accountability: uttering such a sacrilegious thought can be instantly to brand oneself as a 'reactionary'. Within this managerialist thought-world there is only limited consciousness of the flimsiness of many of the current 'principles' of good public management.*

By 2003, Hughes was discussing the criticism against both the traditional public administration model and the more recent New Public Management model and wondering what, if anything, would replace New Public Management. The answer to his question was already contained in his own book, although he did not recognize it as such at the time. He says that *good governance* tries to do more than “mere efficient management of economic and financial resources, or particular public services; it is also a broad reform strategy to strengthen the institutions of civil society, and make government more open, responsive, accountable and democratic.” (Hughes, 2003:77) The best way of managing a particular policy issue may be to work in partnership with the private sector, or to privatize a function or through the use of regulation. Direct provision by government and the bureaucracy is not precluded, it rather depends on the circumstances in which the best form of governance might be found (Hughes, 2003:77).



It is now opportune to return to the earlier remarks on the propensity of writers to equate PPPs with privatization. While PPPs were originally treated as a derivative of the privatization movement, there is growing consensus today that PPPs do not simply mean the introduction of market mechanisms or the privatization of public services. PPPs rather imply a mode of collaboration to pursue common goals, while utilizing joint resources and capitalising on the respective competences and strengths of the public and private partners (Jamali, 2004:4–5; Jamali, 2004, citing Nijkamp, Van der Burch & Vidigni, 2002, Pongsiri, 2002 and Widdus, 2001). PPPs are seen by some as a tool of coercion: It has been suggested that the “promise” (read “threat”) to privatize be employed as a “stick” to improve public-sector performance even if there is no real plan to carry through such a proposal (Korosec & Mead, 1996; Linder & Vaillancourt Rosenau, 2000:2; Osborne & Gaebler, 1992).

At the supra-national level the European Union (EU) promotes partnerships as it operates with and through member states and more local agencies to achieve its policy aims, taking account of national rules and practices (CEC, 1996; McQuaid, 2000:11). Strong support for the concept of partnerships is also evident from international organizations such as the United Nations Development Programme (UNDP) and the United Nations International Strategy for Disaster Reduction (UN/ISDR). During the 1990s and early 2000s, a number of agencies – the World Bank in particular – have provided direct assistance in the formulation of partnerships, and have made their own funding conditional upon private sector involvement. This direct action has been supported by extensive policy formulation and analysis, and research into the key financial and economic aspects of existing transactions. A number of service sectors, including energy, water, sanitation and solid waste, have produced toolkits to provide guidance on basic partnership issues and processes (OECD, 2010; Plummer, 2002:109). At national level in many countries, including the UK, there has been government pressure to move away from public provision of services towards joint private-public partnerships or greater private provision (McQuaid, 2000:11; Newman & Clarke, 2009).

The UN Conference on Environment and Development held in Rio de Janeiro in 1992 called for an equitable world partnership based on the creation of new forms of

cooperation between states and social organizations (UN-CSD, 2002). Since then, this vision of shared responsibility for development has gained importance throughout the development cooperation community. The idea of partnerships as agents of sustainable development and poverty eradication was strongly promoted at the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002. The United Nations Commission on Sustainable Development (UN-CSD) was mandated to serve as the focal point for discussion on partnerships for sustainable development (Creech & Paas, 2008:10). The UN-CSD defines such partnerships as “*voluntary, multi-stakeholder initiatives aimed at implementing sustainable development goals of Agenda 21, Rio+5, and the Johannesburg Plan of Implementation*”. The UN Millennium Development Goals (MDG) carries the concept even further, targeting the creation of a global partnership for development as part of the blueprint to meet the needs of the world’s poor. The aspirational partnership of the MDGs brings together north and south, private and public, and recognizes the role of youth (Creech & Paas, 2008:10). In fact, one can say that partnerships have become part of the language and practice of development. As stated by the US based Global Development Alliance (GDA), “[p]artnerships are certainly not new in development practice. But never has there been a sharper focus on gathering all actors facing the same set of problems to jointly design, plan, and implement solutions” (Creech & Paas, 2008:10).

### **2.1.13 South African history of PPPs**

According to the SA Treasury Department (Republic of South Africa, 2001:B7), “[d]elivering public services through PPPs is relatively new in South Africa”. Whether this assessment is correct is debatable, because permanent European settlement in South Africa in 1652 was a result of a concession held by a company in a relationship that could easily be categorized as a public-private partnership. The Dutch East India Company was granted a license or concession by the government of the Netherlands to operate trade routes to and from the East, and the refreshment station at the Cape of Good Hope was established purely to support the commercial activities of the Company – with no initial government involvement at all. Despite all the negative aspects of colonization, the Company did establish and maintain various public services in the Cape Colony.

In the late 1500s several Dutch trading companies were operating internationally and over time a large degree of concurrence developed among these companies so that a consolidation of the different companies became an urgent necessity (Ferreira, 2007:38). The Dutch had a strong statesman in Johan van Oldenbarneveldt (1547-1619) who, with the help of the Prince of Orange, Maurits van Nassau (1567-1625), could take the lead and could orchestrate the unification of all the concurrent Dutch companies on 20 March 1602 into one large “Vereenigde Oost-Indische Compagnie (VOC)” or United Dutch East-India Company. The VOC thus came into being through a partnership between the state and private business. The VOC consisted of six chambers, formed out of the earlier companies with their headquarters in Amsterdam, Zeeland, Delft, Rotterdam, Enkhuizen and Hoorn. The central body of authority within the VOC was the “Here XVII” or Lords XVII. The VOC would have a state-endorsed monopoly on all trade east of the Cape of Good Hope, and extensive trade, military and political powers were awarded to the VOC by the States-General. The charter of the VOC determined that the power, the prestige and the riches of the Portuguese had to be challenged in Asia (Ferreira, 2007:150). The mission of the VOC and its means of operation, which included armed forces, was clearly a public function which was given to a private operator. The state would benefit from the successful operations of the VOC through increased foreign influence and revenue, while the VOC itself could benefit financially. Clearly, the mandate and operations of the VOC constituted the minimum requirements of a PPP.

The building of capital-intensive infrastructure like the Orange River Irrigation Scheme in the Northern Cape with manual labour during the Great Depression provides an early 20<sup>th</sup>-century example of the use of partnerships to address major societal problems in South Africa. Many years later in 1994, the new democratic South Africa came into being. The new government inherited the national public service and those of a variety of former provinces and all homelands that had to be amalgamated to form a national unified public service. Although this task was accomplished rapidly, the resulting public service was very large, and exhibited many features of traditional bureaucracy, including hierarchical structures, limited automation and information technology applications, low levels of training, a poor work culture, language and cultural barriers, and an overall orientation towards inputs and processes rather than service delivery and results.

Within the first three years of the new order, substantial effort was devoted to reforming the bureaucracy. New public service legislation and regulations were introduced, new and powerful central personnel agencies were created, English became the language of administration, and substantial authority was devolved to departments and provinces. Despite these reforms, progress in improving results in terms of service delivery, especially to previously disadvantaged communities, was mixed. Towards the end of the 1990s, increased attention was paid to means of improving service delivery. Three important initiatives in this regard were Batho Pele (1997), the adoption of eight nationwide principles for better service delivery; a public-private partnerships initiative (2000) and the promotion of alternative service delivery. While alternative service delivery initiatives are largely at a pilot stage, they offer a promising alternative both to traditional bureaucracy (with its cost and poor service delivery focus) and to a narrow version of privatization (which could involve heavy social costs, job losses, and regressive redistribution of wealth) (Russel & Bvuma, 2001).

In April 1997, the SA Cabinet approved the establishment of an interdepartmental task team (IDTT), chaired by the Department of Finance, to explore how PPPs could improve infrastructure and service delivery efficiency. The IDTT was mandated to develop a national public-private partnership programme, the objectives of which were to identify the major constraints to the successful implementation of PPPs and to develop a package of cross-sectoral and intergovernmental policy, and legislative and regulatory reform (Republic of South Africa, 2001:B5). In 2001 the SA National Treasury published a manual on public-private partnerships (Republic of South Africa, 2001). The simplest forms of PPPs have been part of South Africa's procurement landscape for some time. More complex arrangements, in particular long-duration contracts that entail private finance, represent new ground, according to an SA Treasury opinion (Republic of South Africa, 2001:B6). This opinion could be contested based on the 24 October 1894 decision of the Cape Town City Council to grant the right to a local businessman, Henry Butters, to build and operate the first electric tramway company through the city (City of Cape Town, 2009). So perhaps the type of long-duration contracts referred to by Treasury is not so new after all. In

the same Treasury document it is argued that limited experience with more complex PPPs to date has produced mixed results (Republic of South Africa, 2001:B6).<sup>2</sup>

The SA National Treasury established a dedicated PPP Unit whose role is to enforce compliance with Treasury Regulations and to assist departments in preparing, procuring and implementing PPPs. According to a Treasury publication, the Unit is able to provide technical and financial advice throughout the PPP project cycle (Republic of South Africa, 2001:A3). This assistance is available to national and provincial departments whose affairs are governed by the Public Finance Management Act, 1999 (Act 1 of 1999) (Republic of South Africa, 2001:A3). In 2005 the South African Minister of Finance, Trevor Manuel, called on the private sector to partner the government in funding infrastructure projects and fast-tracking the delivery of key services to the poor. He indicated that the partnerships involve locking in long-term collaboration between parties to share the cost, rewards and risks of projects (Phasiwe, 2005).

In order to promote PPPs, the Treasury also issued a *PPP Manual and Standardized PPP Provisions* as Treasury PPP practice notes in terms of the Public Finance Management Act (PFMA), Act 1 of 1999 (Republic of South Africa, 1999), which governs the financial management of the national and provincial spheres of the South African government. The manual and provisions are applicable to national and provincial departments and the public entities to which Treasury Regulation 16 of the PFMA applies. At a local government level in South Africa, municipal financial management is governed by the Municipal Finance Management Act (MFMA) which became law in 2003. Municipal PPP regulations were being finalized in 2005, and the PPP Unit was at that stage working on special guidelines for Municipal PPPs. There is substantial policy consistency between the PFMA and MFMA PPP regulations, so while the institutional systems and decision-making processes differ,

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<sup>2</sup> Whether this statement is as accurate as the previous one pertaining to the recency of longer-term partnerships would bear further investigation of two aspects, the first being the complexity and the second the mixed results claim. An investigation into degrees of complexity of previous partnerships would not add value to the current discussion and will therefore not be pursued. The mixed results claim will be further investigated in the chapter on case studies.

the principal approaches to PPP affordability, risk transfer and value-for-money are consistent (PPP Unit of the SA Treasury, 2004).



Figure 2.10: The SA Treasury PPP life cycle

Section 120 of the Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003) establishes conditions and processes for public-private partnerships. According to the Act, a municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will:

provide value for money to the municipality; be affordable for the municipality; and transfer appropriate technical, operational and financial risk to the private party. The MFMA thus establishes value for money, affordability and risk transfer as prerequisites for PPPs at the municipal level. According to Section 75(1)(j) of the Act, the accounting officer of the municipality must place the agreements for the PPPs in which it is involved on the website of the municipality.

In Section 75 it is also stated that a public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships. If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with, and before a public-private partnership is concluded, the municipality must conduct a feasibility study that explains the strategic and operational benefits of the public-private partnership for the municipality in terms of its objectives; and describes in specific terms- the nature of the private party's role in the public-private partnership; the extent to which this role, both legally and by nature, can be performed by a private party; and how the proposed agreement will- provide value for money to the municipality; be affordable for the municipality; transfer appropriate technical, operational and financial risk to the private party; and impact on the municipality's revenue flows and its current and future budgets; takes into account all relevant information; and explains the capacity of the municipality to effectively monitor, manage and enforce the agreement.

The national government may assist municipalities in carrying out and assessing feasibility studies. When a feasibility study has been completed, the accounting officer of the municipality must submit the report on the feasibility study together with all other relevant documents to the council for a decision, in principle, on whether the municipality should continue with the proposed public-private partnership; at least 60 days prior to the meeting of the council at which the matter is to be considered, in accordance with section 21A of the Municipal Systems Act,

- make public particulars of the proposed public-private partnership, including the report on the feasibility study; and

- invite the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed public-private partnership; and

solicit the views and recommendations of

- the National Treasury;
- the national department responsible for local government;
- if the public-private partnership involves the provision of water, sanitation, electricity or any other service as may be prescribed, the responsible national department; and
- any other national or provincial organ of state as may be prescribed.

Part one of the same chapter applies to the procurement of public-private partnership agreements. Section 33 also applies if the agreement will have multi-year budgetary implications for the municipality within the meaning of that section.

Section 168(1)(d) of the Municipal Finance Management Act (2003) (MFMA) provides that the Minister of Finance may, with the concurrence of the Minister for Provincial and Local Government, issue regulations and guidelines regulating the financial commitments of municipalities and municipal entities in terms of public-private partnerships (PPPs). Section 86A of the Municipal Systems Act (2000) (MSA), read together with section 120 (1) and (2) of that act, provide that the Minister for Provincial and Local Government may issue guidelines for municipalities when assessing options for the provision of a municipal service, the different categories of municipal services and the different categories of service providers. These National Treasury/Department of Provincial and Local Government (DPLG) Municipal Service Delivery and PPP Guidelines of 2007 are jointly issued by the Minister of Finance and the Minister for Provincial and Local Government, and apply to the municipalities described in section 2 of the MSA.



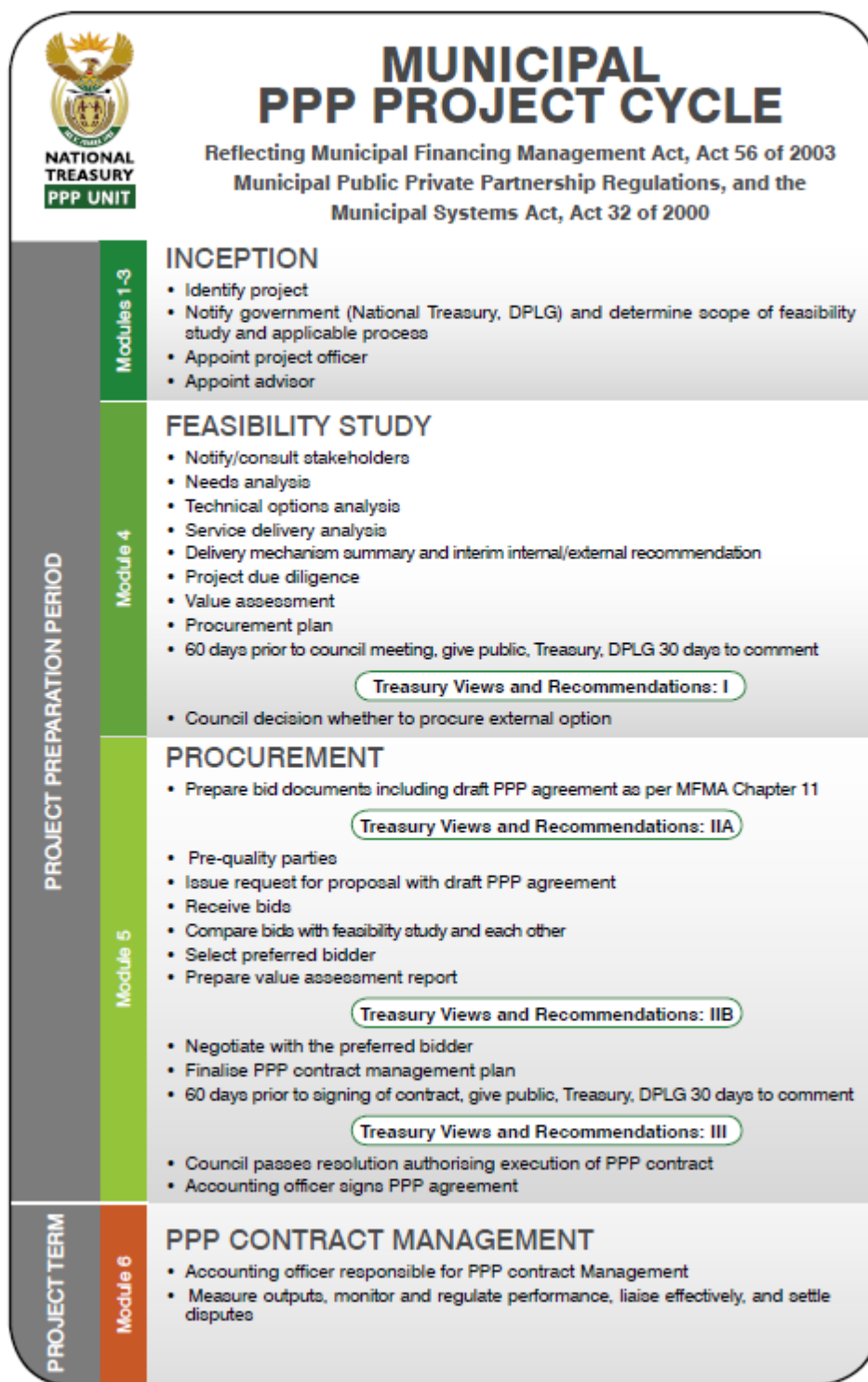


Figure 2.11: The Municipal PPP Project Cycle of the SA Treasury

(Republic of South Africa, 2007)

The SA Treasury Life Cycle for a municipal partnership thus consists of four stages, being:

- Inception;
- Feasibility study;
- Procurement; and
- PPP Contract Management (Republic of South Africa, 2007).

This four-stage model of life cycle stages will be discussed again in section 3.8 from page 200. This concludes the historic overview of partnerships. In the following sections the defining elements of partnerships and an additional partnership vocabulary will be explored.

## **2.2 THE DEFINING ELEMENTS OF A PPP**

The characterization of some of the above partnerships as PPPs may be questioned. It is important that there is clarity on what qualifies as a PPP and what does not. The checklist based on the SA Treasury definition of a PPP can be helpful in this regard but will not be applied to all the examples above due to space constraints.

In summary, the defining elements of partnerships that can be derived from the definitions in this section are:

- A contractual arrangement must exist (this could be written or verbal);
- There must be pursuit of a common goal and mutual benefit (includes individual benefit to each participating partner);
- At least two entities should be involved – and the arrangement should be between at least one public entity and at least one private entity;
- A fee or exchange of value should take place;
- A specified time should apply to the arrangement;
- A public entity function (as practiced or defined in the specific jurisdiction) is delivered by a private entity;
- Clear risk allocation and/or risk transfer should be achieved.

As already illustrated earlier, one would be able to use the above defining elements to decide whether a specific arrangement or agreement could be defined as a public-

private partnership. In the next section the similarities between partnerships and symbiosis will be explored and the vocabulary with which to describe partnerships will be expanded.

### **2.3 SYMBIOSIS IN NATURE AS METAPHOR FOR PARTNERSHIP**

In this section symbiotic relationships in nature are explored as a metaphor for public-private partnerships, with the aim of adding more vocabulary to the discussion on partnerships that will follow. Comparable relationships from nature are just too obvious to ignore and will be discussed here to aid the later characterization of the possible relationship structures within public-private partnerships.

In an African context, one of the most well-known mutually beneficial symbiotic relationships is that between humans and the honey bird. The Greater Honeyguide feeds primarily on the contents of bee colonies or "hives", bee eggs, larvae and pupae, wax worms and beeswax. Most remarkably, it also guides people to hives using specific movements or manoeuvres and sounds to guide humans to an occupied hive. After the humans have disabled the bees with smoke and taken the honey, the Honeyguide eats whatever is left. The traditions of the Bushmen and most other Southern African tribes say that the Honeyguide must be thanked with a gift of honey; if not, it may lead its follower to a lion, bull elephant or venomous snake as punishment. The type of mutually beneficial symbiosis illustrated by the honey bird and humans is called mutualism. On the opposite end of the symbiosis continuum lies parasitism.

A parasitic relationship is one in which one member of the association benefits while the other is harmed. Parasitism is a type of symbiotic relationship between two different organisms where one organism, the parasite, takes from the host, sometimes for a prolonged time. Symbiotic relationships may be either *obligate*, i.e., necessary for the survival of at least one of the organisms involved, or *facultative*, where the relationship is beneficial but not essential to survival of the organisms. Yet another type of symbiotic relationship has been described as *commensal* in nature. Commensalism describes a relationship between two living organisms where one benefits and the other is not significantly harmed or helped.



**Figure 2.12: A continuum of symbiotic relationships**

The term "mutualism" describes any relationship between individuals of different species where both individuals derive a fitness benefit. Generally, only lifelong interactions involving close physical and biochemical contact can properly be considered symbiotic. Mutualistic relationships may be either obligate for both species, obligate for one but facultative for the other, or facultative for both. Many biologists restrict the definition of symbiosis to close mutualist relationships (Bronstein, 2009:233). Some further examples: A large percentage of herbivores have mutualistic gut fauna that help them digest plant matter, which is more difficult to digest than animal prey. Coral reefs are the result of mutualisms between coral organisms and various types of algae that live inside them. Another example of mutual symbiosis is the relationship between the Ocellaris clownfish that dwell among the tentacles of Ritteri sea anemones. The territorial fish protects the anemone from anemone-eating fish, and in turn the stinging tentacles of the anemone protect the clownfish from its predators. Special mucus on the clownfish protects it from the stinging tentacles. There are also many types of tropical and sub-tropical ants that have evolved very complex relationships with certain tree species.

It is easy to draw parallels between these natural symbiotic relationships and the types of partnership being discussed. The terminology that emerges will be used in later sections. Such an ecological approach is not new, as confirmed by Müller (2008:6) when describing the application of ecological principles in describing the emergence of self-organizing structures in the context of organizational innovation in collaborative environmental management (Kiel, 1989:544–547; Mecier & McGowan, 1996:447). Müller (2008:13) refers to relationships of trust, reciprocity and mutuality

in collaborative environmental governance networks. Returning to use of the symbiosis metaphor, one can already characterize the SA Treasury definition of a PPP as commensal, while the definition of PPPs coming from business seems distinctly parasitic. The goal of a PPP should be to create true symbiosis: mutualism.

The related concept of Symbiogenesis also holds value for a discussion on partnerships. The biologist Lynn Margulis, famous for her work on endosymbiosis, contends that symbiosis is a major driving force behind evolution. She considers Darwin's notion of evolution, driven by competition, as incomplete and claims that evolution is strongly based on co-operation, interaction, and mutual dependence among organisms. According to Margulis and Dorion Sagan, "[I]f life did not take over the globe by combat, but by networking." This opinion, when related to partnerships, could mean that partnership may encourage and enhance evolution, rapid adaptation and innovation in problem-solving.

## **2.4 DEFINITIONS RELATING TO PARTNERSHIPS**

There are several concepts that need to be described and defined when one discusses definitions of public service delivery partnerships. The first group of concepts to be described will be the contributing concepts in the name "Public-Private Partnerships". These concepts are "public", "private" and "partnerships".

### **2.4.1 Definitions of "Public"**

Traditionally, from a European nation-state perspective, the public in PPP refers to the public sector. The idea of what comprises a "public" entity has been revisited by writers such as Newman and Clarke (2009), who dissect ideas of public and publicness and expose intriguing discourses on the alleged contraction of the public sector but also increased plurality of the concept of "public". Although this relatively new development is noted, the "traditional" concept of public sector will be used as the main reference of what "public" in PPP refers to. The public sector includes government departments and other state agencies. In different countries, depending on government system and ideology, the private sector can differ in terms of size and service delivery scope. One would expect a socialist government to favour a larger public sector responsible for the delivery of an extensive array of services, while a

conservative capitalist government would favour a smaller public sector with fewer service delivery commitments.

Fox and Meyer (1996:107) define the public sector as “*that portion of an economy whose activities (economic and non-economic) are under the control and direction of the state. The state owns all resources in this sector and uses them to achieve whatever goals it may have – e.g., to promote the economic welfare of the ruling elite or to maximize the well-being of society as a whole*”. In the UK the term ‘public sector body’ is used to refer to central government departments and agencies. It also refers to most public corporations, including National Health Service (NHS) Trusts and other NHS bodies, agencies and trading funds, but not to local authorities (HM Treasury, 2001:5). The extent of the public sector differs from country to country and even more so between political-economic systems such as capitalism and socialism. Different political parties, depending on the political theory or dogma on which they have based their policies, would pursue smaller or larger government structures and differing mandates for government involvement.

#### **2.4.2 Definitions of “Private”**

The “private” in PPP refers to the private sector. The private sector is generally regarded as commercial and industrial concerns owned by private individuals or private companies. The private sector is generally agreed to have a profit motive and to exclude civil society and not-for-profit concerns such as non-governmental organizations. This study will not exclude partnerships with civil organizations or non-profit or non-governmental organizations merely on the basis of them not being part of the traditional private sector. Again note the blurring of what is “public” and “private” as noted by Newman and Clarke (2009). The third sector, not public and not private, which includes NGOs and several other entities, also has an important role to play in partnerships. This point will be elaborated in later sections.

A United Nations conference on partnership excluded the UN itself from what is “private”, but in contrast, a UN-OCHA (United Nations – Office for the Coordination of Humanitarian Affairs) contracted employee interviewed in 2007 (David Mwaniki) assumed that NGOs are part of the private sector while another UN-OCHA

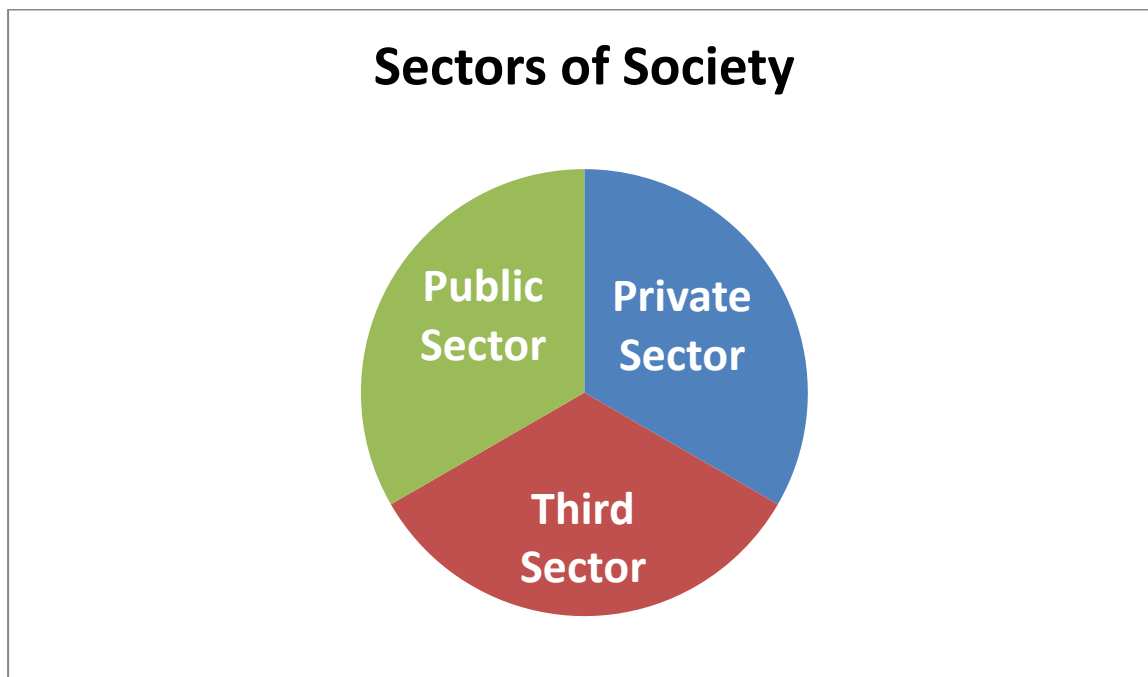
employee, upon being asked about partnerships said that he had had no experience of public-private partnerships. The conclusion from these differing opinions is that within the UN system there are differing opinions on whether the UN itself is a private, public or third sector entity. Fox and Meyer (1996:101) define the private sector as “that part of an economy whose activities are under the control and direction of non-governmental economic units such as households or firms. Each economic unit owns its own resources and uses them mainly to maximize its own well-being.” They add that “traditionally it is that sector of the economy which conducts business for profit; specifically the business and industrial communities”. The arena of PPPs is complex. Central to this complexity, according to Plummer (2002:39), is the untidy way in which vastly different organizations are collectively referred to as ‘private sector’. Plummer however believes that these complications reflect the real nature of service delivery in developing cities.

The term “private sector”, in relation to municipal service delivery, therefore covers a vast range of profit-making organizations – large and small, formal and informal, in a range of sectors. For example, in the water and sanitation provision line of business which has a considerable worldwide PPP population, one end of the private sector spectrum is represented by large international water companies such as Ondeo-Lyonnaise des Eaux, Vivendi and Thames Water. The other end is represented by the water-vendor with a cart, selling water by the container. In the solid waste sector, the national operators with compactors and large-scale landfill and recycling facilities are contrasted with the small-scale rag-picking cooperatives or itinerant waste-buyers, whose self-employed recycling activities are the basis of their livelihoods (Plummer, 2002:75). After defining “public” and “private”, and before moving on to defining other components of the PPP concept, it would be appropriate to explore a third sector of society that could also influence and become involved in PPPs.

### **2.4.3 The Third Sector**

Defining the third sector, by definition that part of society that is not public and not private, basically the “remainder”, is not as straight-forward as may be imagined. The third sector includes the civil society and not-for-profit entities excluded from the definition of the private sector that precedes this subsection. It is not possible to call

this sector “civil society” or the “voluntary sector”, simply because the sector is wider than those entities that would comfortably fit into the definitions of civil society and voluntarism. It should be noted that there is no intention to portray the third sector as less important than the other two sectors by calling it the “third” sector. The name, as it is used here, denotes no hierarchy or priority. The three sectors of society are illustrated in the figure below.



**Figure 2.13: The three sectors of society**

The above figure illustrates the sectors as having equal size, but of course the size of the sectors within each society will be defined by factors such as government policy and the dominant political ideology in a specific society. There are many definitions and refinements of the terms “third sector” and “voluntary sector”. One issue in defining the sector is that although many feel voluntary organizations are distinctly different from private and public ones, the boundaries are actually unclear. Some commentators believe that the differentiation between public, private and the third sector (which includes the voluntary sector) is more of a continuum than a set of discrete boxes (VolResource, 2010).

One definition states that a voluntary organization is: non-profit distributing, non-statutory, autonomous, and may be charitable (VolResource, 2010). This definition



adds the following descriptors to the third sector: non-profit; non-statutory; autonomous and possibly charitable. Other descriptors used for the sector include: community sector; voluntary and community organization (VolResource, 2010). The term “third sector” is sometimes used specifically in relation to co-operatives or social enterprises. The abbreviation TSO (for Third Sector Organization) has been used in UK National Audit Office reports. With the establishment of the UK government's Office of the Third Sector in May 2006, the term was said to describe "non-governmental organizations which are value-driven and which principally reinvest their surpluses to further social, environmental or cultural objectives. It includes voluntary and community organizations, charities, faith groups, social enterprises, cooperatives and mutuals." (VolResource, 2010)

When one looks beyond Europe, the delineation of the third sector becomes more complex. In Japan, since the 1980s, the third sector (Daisan sector) refers to joint corporations invested both by the public sector and private sector (Jenei & Kuti, 2008:12). This sounds very much like PPPs. In India the voluntary sector is commonly called the "joint sector", and includes the industries run in partnership by the state and private sector for more than four decades (Erdman, 1973:25–55; Sinha, 2005:125). The Indian approach also sounds very much like a PPP. It does seem as if there are considerable problems with terminology. Although the voluntary, community and not-for-personal profit sectors are frequently taken to comprise the "Third Sector", each of these sectors or sub-sectors has quite different characteristics. The community sector is assumed to comprise volunteers (unpaid), whilst the voluntary sector are considered (confusingly) to employ staff working for a social or community purpose. In addition however, the not-for-personal-profit sector is also considered to include social firms (such as cooperatives and mutuals) and more recently, governmental institutions (such as Housing Associations) that have been spun off from government, although still operating fundamentally as public service delivery organizations. These other types of institutions may be considered to be quasi-private or quasi-public sector rather than stemming from direct community benefit motivations (Lyons, 2001:5-8; Voluntary sector, 2010).

Lyons (2005:5) defines the third sector as consisting of private organizations that are formed and sustained by groups of people (members) acting voluntarily and without

seeking personal profit to provide benefits for themselves or for others, that are democratically controlled, and where any material benefit gained by a member is proportionate to their use of the organization. Lyons also indicates that the third sector encompasses all those organizations that are not part of the public or business sectors (Anheier & Seibel, 1990; Hasan, Lyons & Onyx, 2008; Werther & Berman, 2001:3–4).

#### 2.4.4 Definitions of “Partnership”

The term “partnership”, as it relates to PPPs, will be discussed in this section. In the term “Public-Private Partnerships” the core concept is obviously “Partnership”, which is being qualified by “Public-Private”. It is therefore clear that the Public-Private Partnership is but one type of partnership, and one can expect that the definition of partnership could accommodate various types of partnership. At a basic level, it is clear that partnership involves cooperation and working together (McQuaid, 2000:11). The Chambers Concise Dictionary defines **partnership** as the state of being a partner: a contract between persons engaged in any business (Davidson, Seaton & Simpson, 1989:710). According to McQuaid (2000:10–11), the term “partnership” covers greatly differing concepts and practices and is used to describe a wide variety of types of relationship in a myriad of circumstances and locations. He suggests that there is an infinite range of partnership activities as the ‘methods for carrying out such (private-public) partnerships are limited only by the imagination...’ McQuaid (2000:34) also notes that there is a danger of the term “partnership” losing much meaning beyond that of being a vague, though benign, platitude. Similar lack of clarity in the use of the term can be seen in other areas.

The US Department of Agriculture Forest Service (2005) defines “partnership” (specifically within the PPP context) as a voluntary, mutually beneficial arrangement entered into for the purpose of accomplishing mutually agreed upon objective(s). It further states that specific legislative authority must exist to form partnerships where the parties anticipate exchanging funds, property, or other items having value. Three pertinent points can be made about this definition. Firstly, the reference to a voluntary arrangement in the above definition may be questioned because it could be possible that a partnership is the result of a “shot-gun wedding” or “arranged

marriage” where parties are legally or otherwise forced to work in partnership, for example municipal and provincial housing departments and their agents or contractors. The fact that two or more parties are forced to form a partnership probably creates more opportunity for conflict than harmony, but does not exclude the possibility of a successful partnership. Secondly, the expectation of mutual benefit from the formation of partnerships may not always be realized or even possible (refer to the discussion on the types of symbiosis above). Mutual benefit will be discussed in more detail later. Thirdly, mutually agreed upon objectives is not a prerequisite for partnership, but it is a contributing factor to the success of partnerships. This will also be discussed in more detail at a later stage.

One example of a partnership as a forced marriage can be seen in the required joint response by the Western Cape Provincial Government and the City of Cape Town to social violence and the displacement of foreign individuals within the Western Cape Province of South Africa in 2008. The City of Cape Town is the biggest city in the Western Cape Province of South Africa and its citizenry comprises more than 60% of the total population of the Western Cape. In 2008 the City was under the control of a coalition of parties led by the Democratic Alliance (DA), while the Western Cape Provincial Government was being controlled by the African National Congress (ANC). The ANC and DA are political opponents and have conflicting ideas on many issues. While a joint and integrated response to the emergency facing the provincial and local government was required, political differences between the leadership of the two spheres of government complicated and constrained cooperation. Partnership was required but the partners were not enthusiastic about such close collaboration. Some examples from this period of time can best illustrate this point:

- The displacement of thousands of individuals from their communities necessitated the provision of shelter and mass care centres. The City did not want to open its community halls as shelters because these facilities were required for other purposes such as distribution and pay points for pensions and grants. The City has also had extensive experience in the complications that can arise when displaced communities decide that they do not want to leave the shelter made available to them. In the past the City has had to resort to court orders and forced evictions from such emergency shelters

several months after the emergency which necessitated the provision of shelter had passed. The City argued that Provincial facilities should be used before community halls under control of the City are used. The Provincial government responded by getting a court order forcing the City to open its community halls as shelters. In turn, the City sought a court order to halt this process. The legal battle was ended when the judge involved told both parties that they needed to work together and made each pay their own costs. The willingness of both parties to use litigation was ended by a forced partnership – an “arranged marriage”.

- As part of the joint response to the social conflict and violence against foreign nationals, the Provincial Joint Operations Centre was mobilized for several months by the Provincial Disaster Management Centre to deal with the emergency. The Joint Operations Centre was staffed by representatives from national, provincial and municipal departments, NGOs and the United Nations. This partnership was formalized through regular senior-level meetings and facilitated by the Provincial Disaster Management Centre staff through the provision of infrastructure and facilities. Interesting nuances in the relationships between departments in this complicated and extended multi-partner partnership came to light. Firstly the staff of the Provincial Disaster Management Centre relied on information they received via e-mail from the City’s Disaster Risk Management Centre and preferred this information above that which they could get directly from the Department of Social Services sitting next to them in the Centre. This might have been because they were used to working closely with the City’s Disaster Risk Management Centre in responding to humanitarian emergencies, but it also illustrates that even though a partnership was formed, the parties involved in the partnership were not necessarily playing according to the rules of the partnership and were defining their own roles on an ongoing basis.
- One of the coordination problems that surfaced during the period was the different spelling of names of care centres by different stakeholders. This caused confusion and duplication of relief efforts, and points to the importance of optimal communication and standardized terms and language to be used in

order to make a partnership more effective. Communication between partners also happened on a sporadic basis at strategic meetings, while persons sitting close to each other in the JOC would not communicate directly on an ongoing basis.

Further examples of partnerships in Disaster Management are discussed in section 2.6.1 from page 123.

Some commentators believe that the usual understanding of partnership (again within the PPP context) is that it represents a clearly defined legal contract that spells out the risks, financial obligations and quantified outputs to be attained. Managerial responsibility for operations is normally allocated to one of the partners. These commentators argue that this is a narrow understanding of a partnership which lacks reference to the dynamic action, cooperation, and mutual learning that is required for the partnership to be strategically effective. It is their opinion that most of the current efforts are spent on setting up the partnership with little or no effort allocated to the open-ended growth and development of the partnership (EWET, 2008). From this argument one can deduce that there is strong opinion favouring the view that a partnership should be considered a new entity which can develop and grow organically. The World Bank sees partnership as a sustained collaborative effort. This effort is the basis of the third "P" of the PPP, entailing a joint alliance between the public and private sectors beyond the traditional contractual relationship that *brings the best of each partner's competences to optimize the achievement of the common objective*. Given the mid- or long-term nature of that objective and the transformation generated by the shift in roles, the joint alliance needs to be sustained over a long period of time.

*The longer the nature of the objective, the larger are the uncertainties associated with the project and the more critical and relevant becomes the third "P" of a PPP (World Bank, 2008).*

There is an argument that operational definitions of the word "partnership" as it relates to socio-economic development should cater for a high level of uncertainty and ambiguity. The manner in which the partnership attains socio-economic

development objectives, and the way in which partners capture it, cannot be determined beforehand. The opinion holds that the partner relationship will evolve in ways that are hard to predict. Managing the partnership over time will usually be more important than crafting the initial formal design. Success has less to do with initial agreements than with adaptability to change (EWET, 2008).

One aspect that is clear from the definitions of partnership listed above is that partnerships are seen in a decidedly positive light, and that the goals of partnerships are often seen as positive and beneficial to the partners as well as society. One could therefore distinguish a (positive) partnership from a (negative) collusion where, for example, costs may be deliberately imposed on third parties. One would not refer to a price-fixing cartel as a partnership. A relationship therefore qualifies as a partnership if it involves the joint definition of specific goals, and a clear assignment of responsibilities and areas of competence between the partners in the pursuit of a common endeavour (Jamali, 2004). Most supposed PPPs in third world development do not meet this criterion. Donor agencies often promote privatization and government subsidies to private entrepreneurs in the name of building PPPs. However privatization and subsidies should not be confused with PPPs (Jamali, 2004). Partnership can cover a wide range of possible relations. According to one source, the different levels of partnership with a voluntary organization can be described as (increasing in involvement): Supporter, Agent, Adviser, Junior Membership, Joint Ownership and the highest level: Community Ownership (VolResource, 2010). The word “partnership” stems from the word “partner”, and it would also be worthwhile to consider definitions of the word “partner”.

#### **2.4.5 Definitions of “Partner”**

In a quite focused definition, the US Department of Agriculture Forest Service (2005) defines “partner” (or co-operator) as an individual or entity that voluntarily cooperates with the Forest Service on a project and is willing to formalize the relationship by entering into an agreement. Other definitions are more encompassing:

*A partner as a sharer: an associate: one engaged with another in business: one who plays on the same side with another in a game: one who dances or*

*goes into dinner with another: a husband or wife: an associate in commensalisms or symbiosis (Davidson et al., 1989:710).*

In the following subsections, definitions of partnership and PPPs from various authorities and role-players will be discussed.

#### **2.4.6 Definitions of “Public-Private Partnership”**

In this subsection definitions of PPPs from various authorities and role-players will be discussed.

##### *2.4.6.1 South African Treasury definition*

The official definition of a PPP by the South African Treasury was presented in the previous chapter. The Treasury (Republic of South Africa, 2001:A3) describes a PPP as "[a] *contractual arrangement between a public sector entity and a private sector entity whereby the private sector performs a departmental function in accordance with an output-based specification for a specified, significant period of time in return for a benefit, which is normally in the form of financial remuneration. It furthermore involves a substantial transfer of all forms of project life cycle risk to the private sector. The public sector retains a significant role in the partnership project either as the main purchaser of the services provided, or as the main enabler of the project.*"

The components that are included in this definition will each be discussed in further detail at a later stage. Certain aspects of the Treasury definition can be contested and the discussion of the correctness of the Treasury definition is part of the original contribution of this dissertation to the body of knowledge regarding public service delivery partnerships (see page 78).

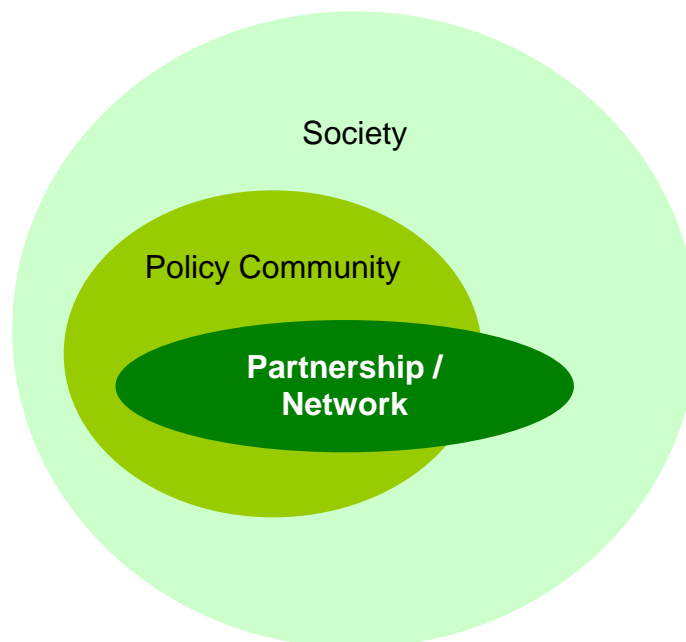
##### *2.4.6.2 Other PPP and partnership definitions*

Various definitions of partnerships from literature firstly reveal context-specific as well as general elements and secondly betray their study-area origins within the definitions. A public *policy* partnership can be defined as cooperation between people or organizations in the public or private sector for mutual benefit (Holland, 1984). Harding (1990:110) sets out a similar general definition of private-public

partnership with a slant towards *economic development* when describing private-public partnerships as any action which relies on the agreement of actors in the public and private sectors and which also contributes in some way to improving the urban economy and the quality of life. Bailey (1994:293) provides a working definition of private-public partnerships in *urban regeneration* as “the mobilization of a coalition of interests drawn from more than one sector in order to prepare and oversee an agreed strategy for regeneration of a defined area”.

Also taking an *economic development* perspective, Sellgren (1990), cited by McQuaid (2000:11), defines partnership as a scheme with **involvement or funding** from more than one agency. This definition raises the question of whether a party can really be called a partner if its sole contribution to the partnership is involvement or funding, not both. Does a partnership indeed exist if the partner is a “silent partner”, providing only funding and not getting involved in the partnership itself? If such a “silent partner” does qualify as a partner, what positive or negative influence does the existence of a “silent partner” have on the success of a partnership? Bennett and Krebs (1994) similarly stress the joint objectives of the bodies and define partnership as cooperation between actors where they agree to work together towards a specified economic-development objective (their discussion focuses economic development objectives). They draw a key distinction between **generalized policy communities** that develop a broad local vision for the area or local economy **and the specific networks** (or partnerships) that are necessary to support individual **projects** (McQuaid, 2000:11).





**Figure 2.14: Partnership levels: A distinction between policy communities and partnerships**

The above definition focuses on the project execution aspect of partnerships as a defining mechanism, equates partnerships with networks, and sees partnerships as something more specific than a community with shared beliefs and vision. The project linkage to partnerships in this definition could imply that, like projects, partnerships need to exist for a specified finite period of time with a specific start and finish. The equation of partnerships with networks as suggested above warrants further analysis later in this section. A number of definitions of partnership take a *policy* perspective. One that shows the wide scope of partnerships and the contributions of partners is from the Commonwealth (State) of Massachusetts which says “[a] partnership is a collaboration among business, non-profit organizations, and government in which risks, resources and skills are shared in projects that benefit each partner as well as the community” (Stratton 1989). Although the definition is useful, it is necessary to note that the “benefit” can only be a goal, not a part of the definition of partnership. Established mutual benefit would be an indication of success – a partnership without benefit is still a partnership, while a partnership that delivers mutual and community benefit is a successful partnership. Benefit is a goal and if it is achieved it shows success. One could rather argue that a partnership is an attempt to create benefit for the partners and the community. It is clear that these

definitions are context-specific. Other policy definitions may try to define more closely the range of actors involved, the geographical areas covered and any power that is devolved (McQuaid, 2000:11).

Within the context of urban development in areas of multiple deprivation, the UK Government has defined the partnership approach as involving the voluntary commitment by the wide range of bodies with a contribution to make to urban development or regeneration (including local communities, the local authorities, Government departments and agencies and the private sector) to an agreed comprehensive long-term regeneration strategy for their areas” (McQuaid, 2000:11; The Scottish Office, 1993:6;). This definition will be analysed to indicate and critique characteristics of partnerships identified in the definition. While the definition may be specific to urban development, those characteristics that can be generalized across differently intended partnerships will be isolated for discussion. The Scottish Office definition and approach incorporates a number of issues which will be discussed individually in the following paragraphs. The issues identified in the definition are:

- the voluntary nature of relationship;
- a wide range of participants, ranging from community to private sector, local government, national government departments and quasi-autonomous non-governmental organizations *with a contribution to make*;
- the need for an agreed strategy (or at least an agreed goal);
- a long time-scale; and
- agreed contributions of resources to the process (McQuaid, 2000:11–12).

The voluntary nature of the partnership relationship has already been questioned. It is held that the relationship does not necessarily have to be voluntary, and furthermore that the participation in the partnership, or compliance with the requirements of the partnership, can be either voluntary or forced. A partner forced into the partnership through some or other punitive measure could then proceed to comply with the requirements of the partnership but does so in a manner which either delays or makes impossible the creation of mutual benefit. It is therefore not possible to say that all partnerships are voluntary and a voluntary relationship cannot be seen as a standard characteristic of partnership. Here the earlier discussion of synergism

in nature becomes an important aid to understanding. Delving deeper into this issue, it is possible to argue that, if forced into a partnership, the partner that is under duress can choose to either positively support or negatively sabotage the partnership. A further option for such a partner could be non-participation without actively supporting or detracting from the partnership. One could argue that it would be possible for a partnership that includes non-voluntary partners to still be successful if the partner(s) forced into the partnership were to choose to make a positive contribution. The conclusion drawn from this line of thought is that *positive participation* in a partnership would be a critical success factor, even if voluntary participation did not occur.

When McQuaid refers to a “wide range of participants ... *with a contribution to make* (see bulleted list above), the implication is that partnerships are comprised only of partners that are able to make meaningful contributions. It follows that if you cannot make a contribution, then there is no reason for you to be in the partnership and furthermore that there is never a situation where all partners are not making meaningful contributions to partnerships. This argument does not hold water because a partnership model does create opportunities for “free-riders” who can benefit from the partnership without making real contributions. One should rather argue that the ideal is that all partners are able to make meaningful contributions and actively do so throughout the lifetime of the partnership. The potential for and the delivery of continuous meaningful contributions should be seen as an indicator of success rather than as a general characteristic of partnership.

The opinion that partnership implies a need for an agreed strategy (or at least a goal) cannot be contested. Such a need definitely exists and the absence of such an agreed strategy would potentially cloud any prospects of a successful partnership. However, it is not an absolute truth that all partnerships do possess such agreed strategies. It is worthwhile to ask whether a goal is not implicit, unspoken and not the subject of any formal written or formal agreement. It is quite possible for a partnership to come into being without any conscious establishment of a joint strategy. An agreed strategy can thus be seen as a recommendation for successful partnership, but not a characteristic of all partnerships. It would also be interesting to

investigate possible cases where partnerships delivered meaningful mutual benefit without any overt statement or determination of agreed strategy.

The Scottish Office definition's mention of a long time-scale for partnership may be applicable to urban development but is perhaps less applicable to partnerships in general. While it can be accepted that any partnership formed around the establishment of large scale capital investment would necessarily be structured over several years, it should also be possible for partnerships to have medium- or even short-term goals and similarly brief existences. Examples of long-term partnerships include 25-year contracts for the building and operation of prisons in South Africa (Essop, 2009:2) while examples of short-term partnerships include the fleeting partnerships that are built between multiple disciplines working on the scene of a major road or other incident. Other short-term partnerships include collaboration between a private financial institution and a public law enforcement agency to pinpoint and compile evidence against fraudsters, or between property and business owners and a municipal film commission to make a film shoot possible in a specific public road.

It is not clear whether the length of a partnership has any direct relevance to or impact upon the success of a partnership. Obviously it will take a required minimum amount of time where infrastructure needs to be established. A partnership with a planned lifetime which is shorter than the expected time it would take to establish the infrastructure on which the revenue stream of the partnership would rely, is clearly doomed to failure. Excluding such cases of criminally bad planning where time allocated is less than time needed, it is still not clear whether any specific timeframe would be more appropriate for partnerships than any other timeframe. Committing to a specific timeframe as a general characteristic of partnership can therefore not be supported, and one cannot say that a long time-scale is a requirement for successful partnership. It is also not possible to use a long time-scale as a qualifying requirement for partnership. One recommendation from this discussion can be that the lifetime of a partnership should be suited to the type of product or service it will deliver, and should be appropriate to ensure opportunity for the benefits of the partnership to accrue to the partners.

The issue of agreed contributions of resources to the process is also listed by McQuaid as an issue flowing from the Scottish Office definition of partnerships in urban development. It is questionable whether this can be considered as a defining element of partnerships. Certainly some sort of agreement would be advisable. Just as certainly it must be possible that partnerships are formed based only on what should be achieved. Such partnerships could be formed with some vague assumptions about partner contributions and little initial attention paid to detailed agreements on the required contributions from each individual partner. Even if there is agreement on resource contributions it may not cover all required contributions. The agreement on resource contributions could cover all resources to be contributed, or could only be applicable to the list of resources that was thought of and considered necessary by the persons negotiating the partnership at the time of its creation. While the Scottish Office is not clear on whether the agreement needs to be written, one could assume that an oral agreement would also be sufficient for some more informal partnerships. Another question is whether the agreement needs to be in place before the partnership commences or whether it can be put in place and reviewed after the commencement of the partnership. The conclusion is that an agreement on resource contributions by partners is recommended but cannot be said to be a default characteristic or defining element of partnership.

The term PPP is used in various ways in various contexts. Frequently it implies some form of private investment and transfer of risk to the private sector; but in other countries the focus is on the concept of partnership and not on the contract or the investment. Plummer (2002:6) adopts a broad usage to describe some form of partnership endeavour involving both the public and private sectors (but not excluding the involvement of the third sector, civil society).

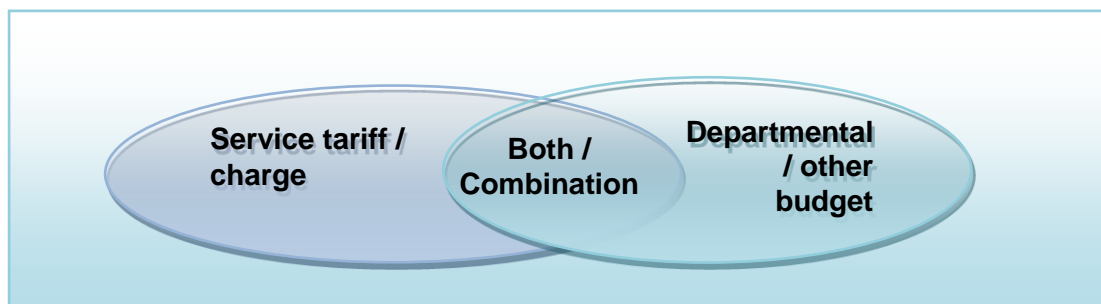
A pre-occupation with risk transfer is a recurring theme in many definitions of PPPs. One conspicuous absence from the issues covered in the Scottish Office definition of the partnership approach is the sharing of risk, which is a central part of the SA Treasury definition of public-private partnerships. This raises the question whether the SA Treasury's definition focuses too heavily on risk shedding as opposed to service delivery. Following this train of thought, the next question would be whether, in spite of the SA Treasury definition, it is not perhaps possible to have improved

service delivery through a partnership without any conscious effort at risk transfer. The South African Treasury have adopted a simple PPP definition based on three essential elements:

- A contractual arrangement
- Substantial risk transfer
- Outcome-based financial rewards (Republic of South Africa, 2001:A3)

According to the SA Treasury definition already discussed in Chapter 1, a PPP is a contractual arrangement whereby a private party performs part of a department's service delivery or administrative functions and assumes the associated risks. In return (as is illustrated below), the private party receives a fee according to predefined performance criteria, which may be:

- Entirely from service tariffs or user charges
- Entirely from a departmental or other budget
- A combination of the above (Republic of South Africa, 2001:B5)



**Figure 2.15: Source of fees for private party in PPP**

There is a certain irony in the PPP proponents' argument that private sector expertise is required for public projects, considering the SMME (Small to medium enterprises) and economic development agenda of many governments where they have departments advising business on doing business and provide seed funding for businesses. An example of this practice is the Stellenbosch Municipality which provides start-up grants for small businesses and advice and support to entrepreneurs (Van der Westhuizen, 2009).

The essential aspects of a PPP arrangement, as distinct from the direct delivery of a public service by a department are:

- A focus on the services to be provided, not the assets to be employed;

- A shift of the risks and responsibilities to a private provider for the activities associated with the provision of services (Republic of South Africa, 2001:B5).

A PPP is a contract between a public sector entity and a private sector entity where the latter performs a public entity function according to outcomes-based specifications, for a fee, and for a specific period of time. It involves substantial risk transfer to the private sector, and the public sector retains a significant role as either purchaser or enabler of the services being provided (Aiello, 2001).

*PPP is certainly a viable instrument but I cannot comment on its popularity. Here at the PPP Unit we certainly have plenty of work to do. The unions, SAMWU and IMATU, have made a religious vow to oppose PPPs, which is a travesty of justice because the vehicle has so much to offer. The two remaining full-service water sector PPP contracts in the country are at Ilembe (previously Dolphin Coast) in KwaZulu-Natal, and at Nelspruit. Both are highly successful PPPs and they have achieved Blue drop and Green drop status in a recent water quality survey. I have just completed a 15-year review of the Nelspruit PPP for the World Bank and it is certainly successful. (Aiello, 2010)*

The European Union has the following definition of “institutionalized PPPs”: PPPs are forms of cooperation between public authorities and businesses, with the aim of carrying out infrastructure projects or providing service for the public. These arrangements, which typically involve complex legal and financial arrangements, have been developed in several areas of the public sector and are widely used within the EU, in particular in the areas of transport, public health, public safety, waste management and water distribution” (European Union, 2004). Most definitions recognise that a public-private partnership is a contractual agreement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility (NCPMP, 2006). This definition from the US body responsible for promoting PPPs can be seen to favour private investors when it refers to the sharing of risk instead of the “transfer” of risk. The issue of risk in PPPs

is also addressed by the World Bank (2008) when it argues that PPPs should promote the individual interests of each partner: generally, a return on the investment for the private partner, and a net benefit to the society and the economy as a whole for the public entity (through the achievement of specific goals, such as the improvement of accessibility or the reduction of costs). These interests are channelled through the definition of risks. The World Bank (2008) argues for the clear assignment of risks as a precondition of the implementation of a PPP initiative.

At European Union level, one of the European Commission's three main principles in its guidelines for its structural policy was "to implement a partnership with all the parties involved in structural policy, especially the regional authorities" (CEC, 1987). It went on to define the term partnership in its framework *Regulation for Reforming the Community's Structural Funds* as "close consultation between the Commission, the Member States concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal" (CEC,1989:15; CEC 1996). This type of partnership implies both consultation and action at a local level (McQuaid, 2000:12). The important defining element for partnerships that flow from this definition is the pursuit of a common goal. The World Bank (2008) supports this element when it refers to assumptions regarding PPPs and specifically the need for a common objective, the provision to users of facilities and services that meet clearly defined physical and performance standards, encompassing interventions that range from the construction and operation of new infrastructure to the simpler maintenance of existing infrastructure.

#### **2.4.7 Collaboration**

Collaboration is defined as two or more entities working together to create mutual value. To make it more tangible, collaboration involves two or more companies, departments, customers, regulatory agencies, or whomever that combine their competencies to create new shared value while, at the same time, managing their respective costs and risks. The entities can combine in any one of several different business relationships and for very different periods of time – ranging from some duration needed to exploit a particular innovation or business opportunity, to a much longer-term ongoing relationship. Collaboration consists of creating value



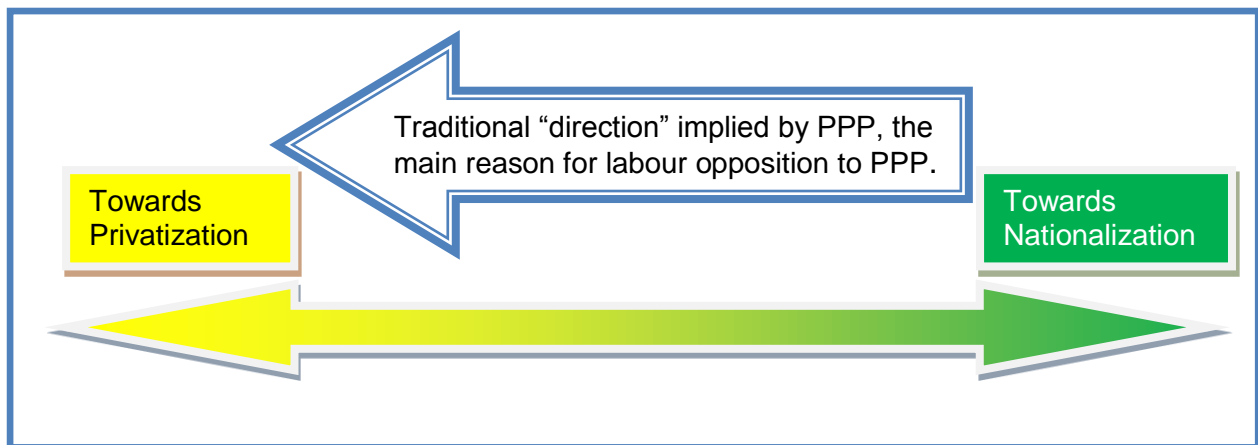
(differentiated value bundles) and creating relationships that allow people to work together to create that value (Welborn & Kasten, 2003:32).

#### **2.4.8 Private sector participation**

Private sector participation (PSP) refers to the involvement of the private sector in some form, at some stage in the delivery of services. It is a general term that is used to cover a wide range of private sector involvement including large and small scale, international and local, and the formal and informal sectors (Plummer, 2002:6).

#### **2.4.9 Privatization**

Privatization can be defined as the transfer of ownership to the private sector of certain previously public-owned resources and the private delivery of services previously delivered by public bodies. As mentioned in several places in this dissertation, partnerships and specifically PPPs have been seen as equal to privatization both by supporters and critics of the PPP idea. Both those who think privatization is good and those who think it is bad, have called PPP formation privatization. An opposing view could be that government is actually expanding its area of influence through PPPs by tying the private sector into its delivery mechanisms. Partnerships, including PPPs, could be seen as efforts from government to increase its influence in the private sector or to exercise an influence in areas where it previously did not operate. Partial nationalization may come very close to the structure of a PPP and may be a way for a government to gain or regain control or market share in an area of private service delivery. A government which believes that it or its predecessor has gone too far down the road of privatization may use PPPs as an instrument to restore the “balance” towards more government control and involvement in the delivery of public services.



**Figure 2.16: Traditional perception of the PPP as a tool for privatization**

While the main reason for labour resistance against the PPP concept is that it is seen as privatization, the other side of the argument is seldom heard: that a PPP could be a move towards nationalization. The fact is that PPP can be an instrument for both privatization and nationalization. According to the UNDP (United Nations Development Programme) a distinction must be made between PPPs and privatization. It has been argued that while the word “privatization” is frequently used to obtain private sector capabilities for provision of a project or service, it is a significant difference from a PPP. In privatization, the ownership of the asset is transferred to the private sector, with minimal (if any) public sector control retained. Under a PPP, the public sector retains a significant level of control to ensure that the best interests of the public are achieved. However, for a partnership to be successful, this control must be exercised with an understanding of the limitations and objectives of the private sector partners, otherwise the partnership is likely to fail.

#### **2.4.10 Three-sector hypothesis**

In this chapter the three sectors of society (public, private, third) have been defined. In this subsection an additional sectoral division is presented that will assist in later analysis of partnership examples. This sectoral division relates to three economic sectors. The three-sector hypothesis is an economic theory which divides economies into three sectors of activity: extraction of raw materials (primary), manufacturing (secondary), and services (tertiary). It was developed by Colin Clark and Jean Fourastié (Farlex, 2010b). According to the theory the main focus of an economy's activity shifts from the primary, through the secondary and finally to the tertiary sector

as it matures. Fourastié saw the process as essentially positive, and in *The Great Hope of the Twentieth Century* he writes of the increase in quality of life, social security, blossoming of education and culture, higher level of qualifications, humanization of work, and avoidance of unemployment (Farlex, 2010b).

Countries with a low per capita income are in an early state of development; the main part of their national income is achieved through production in the primary sector. Countries in a more advanced state of development, with a medium national income, generate their income mostly in the secondary sector. In highly developed countries with a high income, the tertiary sector dominates the total output of the economy (Farlex, 2010b). In later chapters, the economic sectors defined in this subsection will be used to differentiate between partnerships. In this section several key partnership concepts were defined and discussed. In the next section, the reasons for partnering and partnerships will be explored.

## **2.5 REASONS FOR PARTNERING**

In this section the arguments for the usefulness of partnerships, as well as the conditions under which partnerships are required will be introduced for discussion in subsequent sections. The conditions that will point to a need for a PPP will be identified and the question will be asked: “When or for what projects would it not be a good idea to use partnerships?” The enthusiasm for partnerships must have something to do with the feelings of inclusiveness, consultation, participation and collaboration that are somehow associated with the term. However, partnerships bring more complexity and potentially more problems. This complexity and accompanying problems will be discussed in later chapters. Enthusiasm for the partnership concept could thus be one reason for partnering.

Putting a partnership together can be done through the formation of another partnership, as was the case with the advisors used to advise the Philippine government on the terms of reference and appointment of other advisors who would eventually pull together two concessions for water and wastewater in Greater Manila. These concessions would serve a population of 11 million and require investment of US\$7 billion over the contract period (Plummer, 2002:158). In effect a partnership

was put together in order to decide on another much bigger partnership and this was done due to the lack of expertise of the public sector managers in the area. A lack of expertise within the public sector (an assumption that will be challenged later) is thus also a reason for partnering.

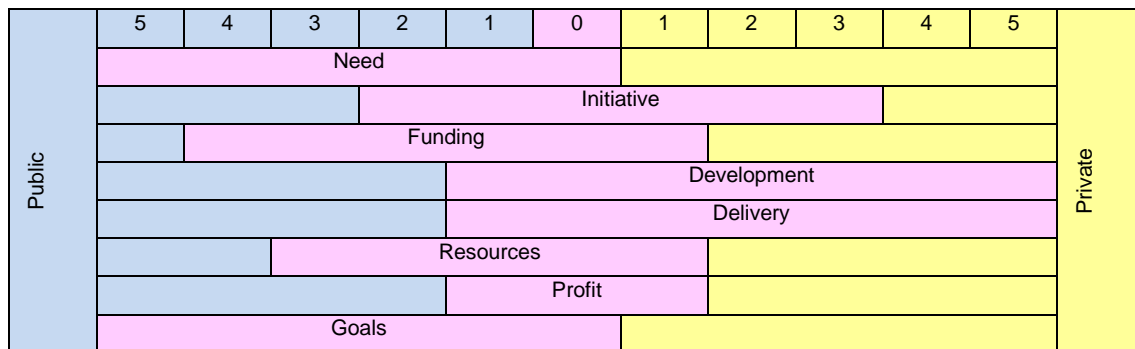
There are a number of assumptions underlying definitions of partnership. One assumption is that there is potential for synergy where 'the sum is greater than the parts'. The idea of synergy was discussed earlier in this chapter and will be raised again in later chapters. The concept of synergy also relates to the discussion of symbiotic relationships discussed earlier in this chapter. It does seem as if the potential for synergy must exist before one could say that a partnership will be a good idea<sup>3</sup> and would therefore be a possible reason for partnering. A second assumption is that a partnership involves both development and delivery of a strategy or a set of projects or operations, although each actor may not be equally involved in all stages. The different levels of involvement are discussed in the next paragraph. A third assumption is that in public-private partnerships the public sector is not pursuing purely commercial goals. A criterion for partnership could therefore be the presence of social goals among the possibly more prevalent commercial goals being pursued through transactions.

Thus far in this section, reasons for partnership that have been identified include enthusiasm for the partnership concept, an assumed lack of expertise within the public sector, and a potential for synergism / symbiosis. The figure below gives an example of how a partnership could be characterized by identifying the interaction between public and private contributions to the partnership. In this example the need for the service is public, the initiative in answering the need is shared between public and private with slightly more private input, funding is mostly emanating from the public sector, and the development and delivery of the service is driven by the private sector. The resources required to deliver the service is mostly public, the profit of the enterprise is shared, and the goals met are public. A further distinction could be made by looking at the level of involvement of different partners at different times

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<sup>3</sup> Success Factor (SF): The existence of potential for synergy between partners.

over the life of a partnership. The provision of resources could for example shift between partners over time as the project progresses through different stages.



**Figure 2.17: An example of public and private contributions to a partnership**

The components used above are quite arbitrary and solely for the purpose of illustration. It would be possible to disassemble partnerships into other components as well. It could be argued that if all requirements and inputs were to fall exclusively within either the public or the private sphere there would be little room or need for a public-private partnership. On the other hand, when requirements and inputs are scattered across the two sectors, partnership makes perfect sense. One example is the response that is required to cyber attacks. Government alone cannot thwart cyber attacks on telephone systems, power grids, financial systems, dams, municipal water systems and other critical infrastructure. This is because in a country such as the US, the private sector owns between 85 and 90 percent of the infrastructure. Recognising this, the US federal government has formed several multisectoral networks to coordinate cyber-security efforts (Goldsmith & Eggers, 2004:9).

The conclusion from the previous paragraph and from the spread of various service delivery needs and contributions across the public and private sector as depicted in Figure 2.17 is thus that where public service delivery requirements and the means with which to satisfy those needs are not present within one sector but scattered across both the public and private sector, a reason for partnering exists. In the following subsections more reasons for partnering and the creation of PPPs will be explored. Reasons from specific sectors as well as sector-independent reasons for partnering will be dealt with.

### 2.5.1 Sectoral perspectives

The differing perspectives of sectors can provide reasons for partnering. The interests, power, goals and other differentiating aspects of sectors can expose potential reasons and imperatives for partnering to deliver public services. The primary economic interest of the private sector gives it a reason to try to expand its market by “moving into” public service delivery through the PPP vehicle. The legislative powers of the public sector coupled with its primary goal of a stable civil society gives it reason to establish vehicles for providing public services by involving and stabilising communities while tapping private initiative and finance – PPPs. Civil society, the so-called third sector, represents the interests of communities and members and will find reasons for partnering in public service delivery when considering its focus on justice and equity.

The potential actors in service partnerships all fit within one of the three organizational sectors: the public sector, the private sector and civil society (Plummer, 2002:113). While the traditional approach to PPPs only consider two sectors as potential sources of partners for PPPs, the public and private sectors, the third sector will also be discussed and considered as potential source of public service delivery partners in this dissertation. It would be useful for public managers to develop an understanding of the comparative attributes of these potential partners. The table below compares sectoral perspectives on partnership issues from the perspective of the three sectors, these being the Government (Public), Business (Private) and Civil Society sectors.

**Table 2-4: Sectoral perspectives on partnership issues**

	Government / Public Sector	Business / Private Sector	Civil Society / Third Sector
Primary interest	<ul style="list-style-type: none"> <li>Political</li> </ul>	<ul style="list-style-type: none"> <li>Economic</li> </ul>	<ul style="list-style-type: none"> <li>Social</li> </ul>
Primary form of power	<ul style="list-style-type: none"> <li>Legislation, taxation and enforcement</li> </ul>	<ul style="list-style-type: none"> <li>Money</li> </ul>	<ul style="list-style-type: none"> <li>Traditions and values, voting power</li> </ul>
Primary goals	<ul style="list-style-type: none"> <li>Stable civil society</li> </ul>	<ul style="list-style-type: none"> <li>Wealth creation</li> </ul>	<ul style="list-style-type: none"> <li>Establishing rights</li> </ul>
Framework for assessment	<ul style="list-style-type: none"> <li>Legality</li> </ul>	<ul style="list-style-type: none"> <li>Profitability</li> </ul>	<ul style="list-style-type: none"> <li>Justice, equity</li> </ul>

	Government / Public Sector	Business / Private Sector	Civil Society / Third Sector
Primary form of organization	<ul style="list-style-type: none"> <li>• Governmental</li> </ul>	<ul style="list-style-type: none"> <li>• For profit</li> </ul>	<ul style="list-style-type: none"> <li>• Non-profit</li> </ul>
Stakeholders controlling action	<ul style="list-style-type: none"> <li>• Voters / rulers</li> </ul>	<ul style="list-style-type: none"> <li>• Owners</li> </ul>	<ul style="list-style-type: none"> <li>• Communities and members</li> </ul>
Primary basis for establishing relationships	<ul style="list-style-type: none"> <li>• Rules</li> </ul>	<ul style="list-style-type: none"> <li>• Transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Values</li> </ul>
Framework for organization	<ul style="list-style-type: none"> <li>• Administering</li> </ul>	<ul style="list-style-type: none"> <li>• Managing</li> </ul>	<ul style="list-style-type: none"> <li>• Developing</li> </ul>
Primary timeframe	<ul style="list-style-type: none"> <li>• Election cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Profit reporting / business cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability / regeneration cycles</li> </ul>

(Waddel, 2000, cited in Plummer, 2002:112)

This comparative table and evidence from service partnerships related by Plummer shows that there are still gaps in the traditional public-private package – gaps that can be filled by drawing in the competencies of the civil society sector (Plummer, 2002:113). The sectoral perspective of civil society thus clearly provides reasons for it to become involved in partnerships for public service delivery. Plummer elaborates on the table with another table more specifically looking at municipal partnership and here she discriminates between two types of business or private sector partners, being international business and small-scale, presumably local providers.

**Table 2-5: Sectoral perspectives on municipal partnerships**

	Municipality	International Business	Small-scale providers	NGOs
Primary interest (in the partnership)	<ul style="list-style-type: none"> <li>• Political</li> <li>• Financial</li> <li>• Physical / Environmental</li> </ul>	<ul style="list-style-type: none"> <li>• Economic</li> <li>• Financial</li> </ul>	<ul style="list-style-type: none"> <li>• Economic</li> <li>• Financial</li> </ul>	<ul style="list-style-type: none"> <li>• Social</li> <li>• Physical / Environmental</li> </ul>
Forms of power (in the partnership)	<ul style="list-style-type: none"> <li>• Regulatory control</li> <li>• Hierarchy/status</li> <li>• Tradition</li> <li>• Payment</li> </ul>	<ul style="list-style-type: none"> <li>• Money</li> </ul>	<ul style="list-style-type: none"> <li>• Local knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Values</li> <li>• Reputation</li> </ul>
Primary goals (in the partnership)	<ul style="list-style-type: none"> <li>• To maintain the status quo</li> <li>• To improve the</li> </ul>	<ul style="list-style-type: none"> <li>• To create profits</li> <li>• To generate</li> </ul>	<ul style="list-style-type: none"> <li>• To make a living</li> </ul>	<ul style="list-style-type: none"> <li>• To improve the quality of life in poor</li> </ul>

	Municipality	International Business	Small-scale providers	NGOs
	environment	more work opportunities		communities
Framework for assessment	<ul style="list-style-type: none"> <li>• Legality</li> <li>• Political recognition</li> <li>• Individual profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Equity</li> </ul>
Primary form of organization	<ul style="list-style-type: none"> <li>• Governmental</li> </ul>	<ul style="list-style-type: none"> <li>• For profit</li> </ul>	<ul style="list-style-type: none"> <li>• For profit</li> </ul>	<ul style="list-style-type: none"> <li>• Non-profit</li> </ul>
Stakeholders controlling action	<ul style="list-style-type: none"> <li>• Voters / rulers</li> </ul>	<ul style="list-style-type: none"> <li>• Owners / Managers</li> </ul>	<ul style="list-style-type: none"> <li>• Their clients</li> </ul>	<ul style="list-style-type: none"> <li>• Communities</li> <li>• NGO leaders</li> </ul>
Primary basis for establishing relationships	<ul style="list-style-type: none"> <li>• Rules</li> </ul>	<ul style="list-style-type: none"> <li>• Transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Job</li> </ul>	<ul style="list-style-type: none"> <li>• Values</li> </ul>
Framework for organization	<ul style="list-style-type: none"> <li>• Administering</li> </ul>	<ul style="list-style-type: none"> <li>• Managing</li> </ul>	<ul style="list-style-type: none"> <li>• Operational</li> </ul>	<ul style="list-style-type: none"> <li>• Developing</li> </ul>
Primary timeframe	<ul style="list-style-type: none"> <li>• Election cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Profit-reporting / business cycles</li> </ul>	<ul style="list-style-type: none"> <li>• Immediate job</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability / funding cycle</li> </ul>

The table illustrates the difference between the interests of local and international business and shows how their perspectives could provide reasons for partnering. An example is that a local provider could have local knowledge but has a need for immediate income, while an international firm may want to generate more work opportunities and has capital to invest in the short term. Such private-private partnerships can constitute part of a larger PPP that also involves the public and/or the third sector.

In the third or civil society sector, there is also a differentiation between local and international perspectives that can motivate the formation of partnerships. With its international civil society perspective, the United Nations Development Programme (UNDP) argues that a number of significant benefits may be obtained from properly constructed and managed public-private partnership. These reasons for partnering can include: increased availability of capital; improved delivery time of projects; more cost effective operations; progress towards the achievement of the Millennium Development Goals; improved environmental sustainability; the development of small



businesses; and progress towards the achievement of the UNDP Global Summit Goals. Each of these reasons will now be discussed individually:

- Increased capital available for a project: Available public sector funding (by local, national or international financial sources) can be leveraged through long-term financing from private sector resources, with an appropriate means for recapturing the investment included in the contract. This can often provide the critical level of capital for the execution of a project that might not otherwise be possible.
- Improved delivery time: With the enhanced project management skills of the private sector and clearly defined and indicated delivery goals incorporated in the contract, project or service delivery can be provided in substantially shorter timeframes.
- Cost-effective operations: Through workplace rules, management practices and operational efficiencies developed through competition in the marketplace, the private sector can provide cost-effective approaches.
- Relationship to Millennium Development Goals: PPPs provide a methodology that can be used to meet a number of the Millennium Development Goals (MDGs – see definitions), including improved and more cost-effective service systems that aid in the eradication of poverty and hunger, promote universal primary education, provide for gender equality, and improve a number of health concerns (such as infant mortality, maternal health, and combating HIV/Aids).
- Environmental Sustainability: PPPs may be specifically designed to address environmental challenges. Through the application of new technologies provided by the private partner and concerns about air and water pollution, remediation of hazardous wastes and other environmental concerns can be addressed.
- Small business development: Development of new small businesses at the local level can be incorporated into the provisions of a PPP. These may include development of skills for a range of service providers and the training of a skilled workforce.

- UNDP Global Summit Goals: PPPs can provide an environment for the implementation of policies and programmes that meet a number of these goals. First among these is transparency and accountability in the procurement process. PPPs can also provide the vehicles for bilateral or multilateral cooperation, increased trade volumes, foreign direct investment, technology transfer, and technical and humanitarian assistance.

It is therefore clear that from a third sector perspective various reasons can be found for partnering, both from a local and a national perspective. There are various stakeholders within each sector that could consider partnering in their own best interest. The stakeholders involved in a partnership could include any combination of public officials, private-sector partners, business, affected employees, portions of the public receiving the service provided by the partnership, the media, involved labour unions, non-governmental organizations, community-based organizations, gender advocacy groups, indigenous / traditional representation, research institutions, international agencies, donor organizations and relevant interest groups (Creech & Paas, 2008:13; NCPPP, 2006). Each of these groups might have a different perspective on the necessity for partnership. In this subsection various reasons for partnering that are sector-specific have been touched upon. In the next subsections sector-independent conditions that create a need for partnering will be isolated and described.

### **2.5.2 Conditions that point to the need for partnership**

The manifestation of specific conditions can provide reasons to partner and cooperate in public service delivery. McQuaid (2000:26) lists three main reasons for cooperation. He believes that the threat of a central authority can cause parties to cooperate, that common objectives might precipitate cooperation, and that other self-interest could bring cooperation. There is also an expectation that elements in the policy development and even operational planning process of public service delivery will make it apparent that partnership is required. It is interesting to note that, due to the fact that the public are in fact co-producers of the services of government, it could be argued that partnership is always required in public service delivery. If there are certain conditions that indicate to observers that partnership is required, the opposite

should also be true: there must be circumstances that are clearly not conducive to partnership. One could for example say that a partnership will take time to establish and bring into operation and would therefore not be a good idea where time is limited. The indications are however not very clear and can often be open to interpretation. In more than one case in the UK the same project has been used by both the detractors and supporters of PPPs to “prove” their point of view.

In his 2003 State of the Nation address, the then president of South Africa, Mr Thabo Mbeki, committed the government to continue to work on public-private partnerships to increase its capacity to respond to the needs of the people and indicated that 50 partnerships were already operational in areas such as health, education, transport, housing, information technology, tourism, and government accommodation (Mbeki, 2003). One can extract one condition requiring partnership from this statement, that is that partnership is required under conditions where a government is seeking to rapidly increase its capacity to respond to service delivery requirements. The converse would then be true: the need for partnerships will be less obvious under conditions where government is seeking to just maintain or even reduce service delivery capacity. While nothing is impossible, such a condition is arguably highly unlikely, especially in developing countries such as South Africa.

The possibility of “government failure” as well as “market failure” must be considered – according to Roth (1987:7) – when deciding whether a service should be provided through public or private means. Government failure could thus be a condition that points to the need for partnership, and similarly market failure could also provide fertile ground for partnering. Market failure exists where the private provision of a specific service or commodity collapses due to a lack of supply, otherwise manifested as the inability of the private sector to provide a specific service at a place, time and cost that is acceptable both to itself and a sufficiently large client base. Market failure will necessarily occur where a service cannot be provided at a rate that is profitable for the supplier, as no supplier will then be interested in delivering the service concerned. Market failure will also occur where the possible customer base is not willing to purchase a service at the price at which the supplier is able to provide the service.

The economic literature describes five situations or conditions in which private markets cannot necessarily be relied upon to provide the most efficient and appropriate pattern of services:

- Where natural monopolies exist;
- Where increased production is associated with decreasing costs;
- Where substantial externalities exist and are not reflected in the accounts of private suppliers (positive and negative externalities);
- Where it is difficult to charge for a service or to exclude those who do not pay;
- Where merit goods are involved (Roth, 1987:7).

Where the above conditions exist, it is expected that the public sector would have to step up and deliver the service, provided that it has the capacity. Where a market failure has occurred, where the public service is required, and where the public sector does not have the capacity to deliver the service, conditions are ideal for partnering. In the following section the influence of policy transfer and policy entrepreneurs as reasons for partnering will be discussed.

### **2.5.3 Policy transfer and policy entrepreneurs**

Policy transfer is a widespread practice that also provides reasons for partnering. For example, Americans borrowed the idea of national income tax from the British while Europeans imported the concept of cloverleaf intersections from the United States. The literature on policy transfer has grown substantially in the past decade (Hoyt, 2008:113; Mossberger & Wolman, 2003). Policy transfer is also known as lesson drawing, policy borrowing, policy shopping, policy band-wagoning, and systematically pinching ideas. It is a term that describes the voluntary flow of ideas between individuals and is regarded as a type of policy learning because it involves the acquisition and utilization of knowledge about policies elsewhere. Put simply, policy transfer refers to the way in which policies and practices from one context are used to develop policies and practices in other settings. Individually, policy agents represent public, private, or public-private organizations and function as experts or “policy transfer entrepreneurs” who advocate the spread of certain policies and information (Hoyt, 2008:113).

It is argued that the widespread adoption of the Business Improvement District (BID) model of PPP is mainly the result of policy transfer and policy entrepreneurs who have actively marketed the BID model as a solution to urban decay in business areas. The BID model is a very parochial instrument which focuses on a small microcosm within society. With the power to impose taxes and provide collective services, BIDs supplement publicly funded efforts to attract visitors and investors, enhance pedestrian experience, and improve a city's ability to compete with regional office parks, shopping malls, and suburban living (Hoyt, 2008:112). The issues that deserve consideration prior to policy adoption, according to a framework developed by Mossberger and Wolman in 2003 for prospective policy evaluation, include: adequacy and accuracy of information, similarity of problems and differences in setting, policy performance, and policy application (Hoyt, 2008:125–126).

Earlier in this dissertation the problem of finding unbiased information on the success or failure of PPPs was noted. That view is supported by the following perspective on the BID as a specific type of PPP which is actively marketed as best practice and for which policy transfer is encouraged.

*“...with respect to policy transfer, the BID model is problematic because it mandates self-promotion. Said another way, BID organizations with highly visible programmes are not necessarily effective in creating delightful, safe and clean environments; such a reputation may be, in part, the result of an impressive marketing scheme that is merely evidence that a BID manager is doing his or her job. Therefore, importers are rightfully sceptical, and the BID entrepreneurs that I interviewed expressed some frustration with the task of borrowing ideas from organizations, especially when it was difficult to distinguish between objective and subjective accounts of success.”* (Hoyt, 2008:126)

It would be plausible to carry this perspective on the promotion of a specific PPP model through to other types of partnerships. Hoyt (2008:126) argues that, despite the realization that BIDs do not represent a panacea for urban ills, urban policy entrepreneurs advocated the transfer of the BID model for the purpose of building a

coalition of support that will justify their beliefs and publicize their activities. According to guidelines set forth by Mossberger and Wolman (2003), entrepreneurs should systematically evaluate prospective policies in the originating country prior to adoption. Hoyt (2008:127) supports the need for careful consideration before adoption:

*Put simply, entrepreneurs should refrain from borrowing ideas unless they have proof that they are successful elsewhere. Most are satisfied with subjective accounts of success from experts' opinion, collections of promotional material on BIDs and on-site visits of operational BIDs.*

In the past, few entrepreneurs approached the adoption of BID policy methodically. Late adopters - such as the property owners and local officials in Cape Town as well as England's central government – practice what Hoyt (2008:128) has termed as “rather creative and cautious techniques” for assessment. According to her the Cape Town Partnership methodically assessed and effectively blended revitalization models from a variety of contexts, including the United States (Denver, Seattle, Washington DC, and New York), Ireland (Dublin), England (Liverpool, Manchester, and Coventry), the Netherlands, Australia (Adelaide), and Brazil (Hoyt, 2008:128). Similar conservative adoption of the BID model is seen in England where the BID model was launched through a pilot project that involved the institutionalization of fewer than two dozen BIDs instead of wholeheartedly embracing the model (Hoyt, 2008:128).

The BID model is seen as flexible and responsive to the historically, politically, and socio-economically divergent contexts that Johannesburg and Cape Town present as opposed to other areas where the model was implemented. Hoyt determined this through a survey investigating the involvement of managers of BIDs in the activities which BIDs have historically supported in pursuing the three principal aims of BIDs: delight, safety, and cleanliness. The surveyed activities which BIDs could support included: consumer marketing, capital improvements, policy advocacy, maintenance, security, economic development, transportation, and social services (Hoyt, 2008:128). The table below highlights the international status of BID policy transfer as determined by Hoyt in 2008.

**Table 2-6: Stages of Policy Transfer for the BID Model (Hoyt, 2008:117)**

Stage of policy transfer	Policy Emergence	Transfer Success	Resistance
Description of policy transfer stage	Before policy enabling legislation has been adopted. Policy entrepreneurs are involved in importation-related tasks, including the study of policies in other places as well as activities such as proposing, drafting, and lobbying to implement enabling legislation	Enabling legislation is approved. Policy implementation is functional	Ongoing and considerable resistance to the importation of the policy or the adoption of enabling legislation
Countries in the different policy transfer stages relating to the BID model.	Japan, Austria, Germany, Lithuania, the Czech Republic, Poland, Romania	Canada, United States, New Zealand, South Africa, Serbia, Albania, Jamaica, United Kingdom	

It is now opportune to return to other reasons for partnering than policy transfer. In the next section sector-independent reasons for partnering will be discussed.

### 2.5.4 Sector-independent reasons / perspective

It is important to improve the partnership element of PPPs in order to reach a 'win-win' situation, rather than to allow the traditional adversarial approach between private and public sectors to continue (Wakeford & Valentine, 2001). In this subsection generic or sector-independent reasons for the use of partnerships will be discussed.

#### 2.5.4.1 Resource sharing

Collin and Hansson (2000:206) cite the need for resource sharing as a reason for embarking on partnerships in Sweden. Related arguments on sharing resources come from Goldsmith and Eggers when they discuss the sharing of knowledge

(2004:107), communication and co-location (2004:96) as well as Grant (2005) in his discussions on the reasons for vertical integration.

#### *2.5.4.2 An instrument for transformation*

The need to have an instrument for transforming an organization can bring about a move towards partnership (Collin & Hansson, 2000:206). The goal of “getting rid” of an inefficient internal provider that has become a financial burden, as in Colombia, South America (Plummer, 2002:156), is also seen as a reason for partnership.

#### *2.5.4.3 Providing the image of a proper firm*

Observers in Sweden (Collin & Hansson, 2000:206) have commented that the formation of a formal partnership in the guise of a new, separate entity could be motivated by a need to appease the private partners in an existing informal partnership who would be more comfortable dealing with a formally constituted, proper firm.

#### *2.5.4.4 Dealing with complex issues*

Various initiatives, as described below, implicitly recognize the promise of partnerships as a viable vehicle for solving complex problems. Powell (2002) has argued that partnerships can be used to combat pervasive crises such as the HIV/Aids pandemic. Dumol (2000) explains how a partnership was used to put together a complex large scale and long-term concession. The Millennium Development Goals (MDGs) represent a global partnership for development. The deal makes it clear that it is the primary responsibility of poor countries to work towards achieving the first seven Goals. They must do their part to ensure greater accountability to citizens as well as the efficient use of resources. But for poor countries to achieve the first seven Goals, it is said to be critical that rich countries deliver on their end of the bargain with more and more effective aid, more sustainable debt relief and fairer trade rules, well in advance of the 2015 target.

Trevor Manuel, the then Minister of Finance of South Africa, said the MDGs can divert attention too far away from already productive aspects of the economy. He



motivated that a balanced perspective is necessary because social goals are more related to rapid economic growth than changes in spending patterns (Leuvenink, 2007). It is however still held that partnerships can be the more effective interventions to deal with complex social problems; (Rowe, 2006:209)

#### *2.5.4.5 Providing stability in unstable conditions*

In the midst of political turmoil a special purpose vehicle in the form of a partnership was to be created to manage the process of procuring a soccer stadium in Cape Town for the 2010 Soccer World Cup (Essop, 2006; Herman & Kassiem, 2006). Although the idea did not come to fruition, it points to the confidence with which partnerships are regarded as instruments that can deal with uncertainty and unstable conditions. This leaves the question whether PPPs really do require a stable environment to be successful. This question will be discussed in more detail in later chapters, but at this point it can be recorded that a stable environment is not necessarily seen as a critical success factor for PPP.

#### *2.5.4.6 Improving services to the poor and excluded*

In the book *Focusing Partnerships – A Sourcebook for Municipal Capacity Building in Public-Private Partnerships*, Plummer presents a strategic framework for municipal capacity building “to understand, formulate and implement PPPs focused on improving services to the poor.” One should not assume that her focus on improving services to the poor means that PPPs cannot be used for other purposes (2002:9). Related to improving services, Phasiwe (2005) indicates that partnerships become necessary where the delivery of key services to the poor need to be fast-tracked. Plummer in turn indicates that private partners can develop innovative and alternative service delivery options to low-income communities (2002:22).

Public-private partnership can serve as an institutional means of dealing with particular sources of market failure (Pongsiri, 2002). Rowe extends the capacity of partnerships to improve delivery to the poor and excluded further by indicating that participation unlocked through partnership can build capacity and “social capital” in excluded communities (Rowe, 2006:209).

#### *2.5.4.7 Access to superior managerial efficiency*

The efficiency argument for privatization (which if considered in broad terms also includes the use of PPPs) claims that private management is inherently superior to public management. One could therefore say that trying to get access to superior managerial efficiency could be a reason to pursue PPPs as service delivery mechanisms. The assumption of inferior management within the public sector has however not gone uncontested. Hughes (2003:105) argues that there is simply no conclusive proof of the alleged superiority of private management over public management. He states that public and private management environments differ considerably and that management in the public sector may be less straightforward. Plummer (2002) highlights various perspectives on the reasons for involving the private sector in service delivery. Opinions from a mayor in Kathmandu, Nepal, the Operations Manager of Johannesburg Water Management, a representative of the Mvula Trust (an NGO), a low-income community from Buenos Aires, the Water and Sanitation Programme as well as a donor (DFID – UK Department for International Development) and a financier (Aqua International Partners, San Francisco) are provided in this section for a comparison of sectoral views on the utility of partnership.

#### *2.5.4.8 Market failure*

It is possible that partnerships, and PPPs specifically, are the result of market failures – the failure of a specific sector to deliver a required public good, a public product or service for which a demand exists. Examples from Sweden that will be described elsewhere in this dissertation illustrate how the failure of the private sector to continue providing rail transport services to a small community prompted the development of a PPP. The failure of the public sector to provide enough water again prompted the development of PPPs in other parts of the world, including South America. In the next section, specific attention will be given to reasons for partnering from a public sector perspective.

### **2.5.5 Public sector perspective**

The public sector perspective is particularly important in the context of this dissertation, which aims to support public sector decision-making on the partnership as a service delivery option, and aims to support public sector managers in realizing successful partnerships when partnerships are implemented. Partnerships for sustainable development - voluntary, multi-stakeholder initiatives aimed at implementing sustainable development - were an important complementary outcome of the World Summit on Sustainable Development (WSSD). At its 11th Session in May 2003, the Commission on Sustainable Development (CSD) reaffirmed that these partnerships contribute to the implementation of intergovernmental commitments, recognizing that partnerships are a complement to, not a substitute for, intergovernmental commitments. In an SA Treasury document, it is held that if correctly structured and used, partnerships are a useful service delivery option with benefits from both an operational and a strategic perspective (Republic of South Africa, 2001:B6, A3). This statement implies that correct structure and use are success factors for PPPs, and indicates that the realization of operational and strategic benefits can be seen as a performance indicator.

The opinion has been voiced that it would be no surprise if the public sector were less efficient than the private sector in the performance of society's business of public policy. The concept of the "neutral civil service", the bureaucracy staffed with career public servants, is a well-known historical tradition in Europe, but not in the USA. The American pay-off system, called the Tammany Hall tradition, employs public-service jobs as political pay-off. In many US cities, especially in the eastern United States, this has been the equivalent of the Prince's mercenary army (Linder & Vaillancourt Rosenau, 2000:4). The rationale for privatization through partnership can be attributed to a wide range of factors ranging from cost reductions to ideological preference (Daley, 1996; Starr, 1990).

#### *2.5.5.1 Cost reduction*

There are arguments for the use of partnerships to realize cost reduction. In order to support an argument for cost reduction it would be necessary to give an accurate comparison of the costs involved in delivering a set service on a public or a privatized

basis. Such a clear comparison is however not always possible because establishing the costs of privatization may be extremely complex. According to some commentators implementation is often carried out in the absence of cost information (Lifsher, 1998; Xiong, 1997) or with estimated data (US General Accounting Office, 1998). Therefore, it is no surprise that much research on the topic simply assumes that privatization reduces costs (Greene, 1996). Evidence in support of this proposition, generally based on case studies, is mixed and, on balance, evidence is simply contradictory (Handler, 1996). It is therefore clear that there is an assumption, but no real proof, of cost reduction.

#### *2.5.5.2 Managing large projects*

Economists have expressed reservations on the ability of the SA government to implement large capital spending, because only 5% of planned infrastructure spending of R372 billion over three years from 2006 was to be spent through public-private partnerships (Clark, 2006). The reason for partnership that can be derived from this opinion is that partnerships could be required in cases where large capital projects needs to be completed.

#### *2.5.5.3 Reconnecting public service delivery with clients*

Residents bring a previously untapped perspective to the challenge of resolving difficult social problems and exclusion through partnerships. They might bring a form of intelligence and, in a sense, power to a partnership, an understanding of what does and does not work, for whom and why. By not simply criticising local services but also by participating in the development of alternative arrangements, the local community brings both accountability and legitimacy. The way in which they are engaged in the process of partnership working is central to an understanding of the effectiveness of partnership (Rowe, 2006:209).

Rowe's description of partnership makes one wonder about the effectiveness of democracy, which ideally is supposed to capture exactly the understanding, accountability and legitimacy he attributes to partnership. It seems as if partnership, with the direct involvement of communities and a commendable client focus where communities participate as co-producers of services, could be displacing traditional

approaches to representative democracy and can be seen as an indictment exposing the ineffectiveness of democracy as currently practiced. Rowe indicates that the challenge of how to effectively incorporate the diverse range of experiences and voices to be found in excluded communities is a central problem for partnerships. He questions whether individuals on boards are sufficiently representative and whether such individuals are to be accountable for the views they express. Rowe asks whether consultation is a sufficient substitute for wider participation and, touching on the challenge that partnerships might imply for democracy, indicates that for local authorities and particularly elected members, the development of other forms of democratic expression has sometimes been interpreted as a threat to their role as elected representatives (Rowe, 2006:210). Despite these misgivings, it is clear that partnerships can allow the reconnection of public service delivery with clients.

#### *2.5.5.4 Ideological preference*

The public sector may decide to embark on PPPs purely because of the ideological preference of whatever political party is in charge of the machine of government. If the governing party is in favour of smaller government and privatization, or if it has a strong belief in involving citizens and other sectors of society in service delivery, it could set a pro-PPP agenda. In the UK the Labour government that came into power in 1997 built on the partnership idea implemented by the previous government by extending the scope to encompass the voluntary and community sectors and to embrace a much more holistic agenda (Rowe, 2006:209).

#### *2.5.5.5 Accountability and oversight*

Accountability is defined as the legal obligation to respect the legitimate interests of others affected by decisions, programmes, and interventions (Consodine, 2002). From a public sector perspective, according to Rowe (2006:209), PPPs can bring greater accountability and oversight of public services.

The public-private partnership is significant in creating a perception of equity and mutual accountability regarding transactions between public and private organizations through cooperative behaviour (Pongsiri, 2002).

#### *2.5.5.6 Tempering business sense with social consciousness*

PPPs are said to assist in balancing business and social concerns. Although business could have a bigger hand in public service delivery in a PPP, the business sense of the private sector would be tempered by the social concerns of the public, voluntary and charity sectors (Rowe, 2006:209).

#### *2.5.5.7 A vehicle for modernization*

At a conference in Cape Town in 2006, the British Member of Parliament and Financial Secretary to the Treasury, Stephen Timms indicated that the British government has used public-private partnerships as vehicles for modernising public services and British business alike (Timms, 2006).

#### *2.5.5.8 Increased efficiency*

The following two examples illustrate how, from a public sector perspective, PPPs may be seen as tools with which to increase efficiency. In Colombia in the early 1990s, central government was devolving responsibility for essential services, but wished to avoid the re-emergence of inefficiency in the provision of services under direct municipal control (Plummer, 2002:238), and consequently opted for PPPs. The second example involves the UK labour government that, while in power, argued that better value should be derived from public spending, particularly at a local level, by working across organizational and sectoral boundaries (Rowe, 2006:209). PPPs (or the British model of PPPs, PFIs) was seen as the vehicle of choice for this purpose.

Better coordination of public services, securing efficiencies both in terms of cash savings and improved delivery, can also be achieved through PPPs (Rowe, 2006:209). Partnerships also bring administrative benefits to government – increased speed and reduced administrative costs by tendering only once for multi-year engagements (Plummer, 2002:24).

#### 2.5.5.9 *The promise of operational benefits*

One of the objectives with the establishment of a JV (Joint Venture) PPP for water and sanitation in Cartagena, Colombia in 1995, was to “improve efficiency by attracting the necessary technical skills from the private sector” (Plummer, 2002:156). The SA Treasury professes that *operationally*, the benefits of PPPs include **efficiency gains, output focus, economies** generated from integrating the design, building, financing and operation of assets, **innovative use of assets; managerial expertise** and **better project identification**. These benefits can result in some combination of better and more services for the same price, and savings, which can be used for other services or for more investment elsewhere (Republic of South Africa, 2001:B6, A3). As already mentioned in previous sections of this dissertation, it is important not to assume the realization of benefits due to partnerships, but rather to note that the potential for the realization of benefits is created through partnership. Whether a partnership is successful or not – whether the potential is fully exploited or not - will determine whether benefit is realized - or not. It would be more appropriate to say that successful partnerships are able to use assets innovatively, unlock managerial expertise, improve project identification, realize efficiency gains, achieve an output focus, and generate economies through integration of design, building, financing and operating assets.

Two arguments can be used to contest the claims for efficiency gains made on behalf of partnerships. Firstly, a partnership could be a more complicated delivery mechanism than straightforward delivery by a public entity, thus possibly reducing efficiency by involving more role-players and layers of management. Secondly, creating a partnership structure does not remove the purportedly inefficient public sector from the equation – they must still be involved in the partnership if it is to be called a partnership. The argument that partnerships facilitate an output focus can also be criticized. With the creation of a new partnership entity, a significant amount of energy and focus can be spent on getting the “new animal” to work, thus encouraging an inward focus and weakening the intended output focus.

2.5.5.10 *The promise of strategic benefits*

The SA Treasury holds that *strategically*, partnership contracts enhance accountability by clarifying responsibilities and focusing on the key deliverables of a service. The Treasury argues that a department's managerial efficiency can benefit significantly as existing departmental financial, human and management resources can be refocused on strategic functions (Republic of South Africa, 2001:B6, A3). This position can be contested, as partnerships can require more time and personal investment from management than expected: More meetings, trying to make sure the partnership is aimed in the right way, ensuring co-operation and consensus. When the partnership meets, it will want to consult widely, and will in all likelihood require representation from all its constituencies when decisions need to be made.

**Table 2-7: Partnerships require additional coordination**

<i>Comparison of meetings required for a single simple project executed by a single agency as opposed to the same project executed by a partnership</i>	
<b>Single executing agency</b>	<b>Execution through Partnership</b>
Project meetings: Single executing agency	Project meetings: Partnership
	Meetings inside each partner to get go-ahead for partnership.
Project initiation	Project initiation meeting
Weekly project management meetings	Weekly project management meetings
	Weekly feedback to partner organizations by their representatives within the partnership
Monthly progress report meetings with project champion	Monthly progress report meetings with project champion
	Monthly progress report meetings with champion within each partner organization
	Partnership management and coordination meetings
Internal management meetings of single executing agency	Internal management meetings of each partner organization
Project close-out meeting	Meetings to approve project close-out within each partner organization
	Project close-out meeting

A partnership will also bring management in contact with more stakeholders and open up new channels of information exchange. In terms of general management principles and due diligence this should be good, but in terms of time, it can be



argued that partnerships often do not mean more free time for management, and rarely frees up significant amounts of resources. The amount of delegated decision-making powers the representatives of the different partners in the partnership has<sup>4</sup> could of course have an influence on how much resources are actually freed up or consumed by the partnership. Observers may equate the use of partnerships with the use of consultants by government. The officials may hope that the appointment of a consultant will translate into more free time, but normally experiences disillusionment when they find out that they need to monitor and work with the consultant. Service delivery will not happen in the absence of the public official. In the same way that a consultant will still need to be managed, a PPP will still need to be managed. In contrast to the supposed need for private expertise that PPPs can provide, PPPs rely on administration by highly competent public officials to deal adequately with contract administration.

#### *2.5.5.11 Strategic clarity*

The SA Treasury claims that partnerships hold the potential benefit of strategic clarity by focusing departmental resources on strategic management and ensuring that key services are delivered effectively (Republic of South Africa, 2001:B6, A3). This assertion echoes the “steering, not rowing” dogma of the reinventing government movement of the late 1990s.

#### *2.5.5.12 The promise of financial benefits*

One of the municipal objectives with the establishment of a water and sanitation JV (Joint Venture) PPP in Cartagena, Colombia in 1995 was to rid itself of the fiscal burden of an inefficient in-house operation by delegating the management function. The municipal-owned operation was in crisis with water losses exceeding 50%. Current revenue did not cover operating costs and deepened an existing deficit. There was not enough money to pay for chemicals to treat water. Investment in network maintenance and extension was non-existent (Plummer, 2002:156). The unquestioning public official may see PPPs as an easy way to get around

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<sup>4</sup> SF: The representatives of the partners in the partnership must have sufficient delegated decision-making powers.

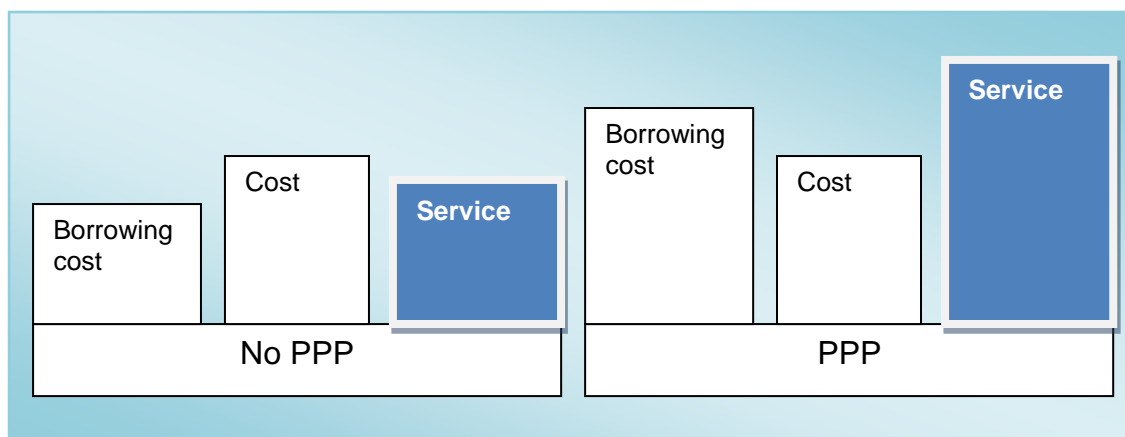
deficiencies in budgeting by pulling private capital into public service delivery (Anderson & Thompson, 1999). Unfortunately the use of private finance rather than public finance does not mean that more expenditure can be afforded as, in the long run, the cost of private borrowing is normally higher than conventional government borrowing. Since government can normally borrow more cheaply, the gains from the private operator's efficiency must exceed the difference in borrowing cost if a PPP project is considered. The real benefit of PPPs is the **value for money** derived from the operational and strategic benefits mentioned above (Republic of South Africa, 2001:A4).

The accepted wisdom that the only way to improve the performance of utilities is by some form of privatization is being challenged, based on the failure of some private sector management contracts in developing countries to deliver expected improvement in standards. There is a realization that in some circumstances, technical assistance could be a better option than privatization (Plummer, 2002:186). The financial limitations of a management contract became clear once analysis by a World Bank team revealed that improvements in the performance of the Lesotho Water and Sewerage Authority (WASA), achieved through the provision of technical assistance, left insufficient scope for the additional cost savings upon which a management contract rely in order to be viable. In other words, in this particular case, the cost of a management contract would be greater than the savings that would accrue from the greater efficiencies that such a contract would be expected to bring (Plummer, 2002:186, citing Wessex Water International).

The practical limitations are exemplified in the second of the two conclusions reached by the World Bank mission: that, in this case, the core problem of WASA cannot be remedied by a management contract. These core problems are identified as staffing, tariffs and the collection of government debts. The reason given is that these issues are outside the jurisdiction of a management contract, as they are primarily the result of policy decisions of the government. However, the World Bank mission felt that addressing them can be made a condition by the Bank for a Technical Assistance–supported performance agreement (Plummer, 2002:186). The performance agreement concept has previously been successful in Swaziland, where the Water Services Corporation has a performance contract with government (in the form of the

Public Enterprise Unit). This was a condition of a World Bank loan for the urban development project, and DFID (UK Department for International Development) supported the TA (Technical Assistance) for the corporation. As long as the agreement is well drafted without areas for ambiguity, it provides the performance-based incentives normally associated with the private sector while leaving responsibility for achievement with the organization's own staff. This is more likely to contribute to the overall objective of sustainable development than the handing over of responsibility to an international company (Plummer, 2002:186).

The split between operating and financing skills implies that, if the municipality has the capacity to package the operating and financing skills itself, it may be able to arrange a more cost effective partnership by separating the two functions – for example, by pairing one or more local operators (including community groups) with a combination of local and international sources of investment capital (including public and not-for-profit sources) (Plummer, 2002:202). Borrowing costs represent a large component of the financial aspect of public infrastructure creation, and the discussion of the possible financial benefits of partnerships should also include a discussion of borrowing costs.



**Figure 2.18: In a PPP the expected higher borrowing costs should be offset by lower implementation cost or increased service delivery.**

The question that begs asking is whether PPPs are in fact good options if borrowing is necessary, or whether they are only appropriate if borrowing is not necessary. It is clear that, in order for a PPP to be a viable financial option when borrowing is

necessary, the extra borrowing cost must be outweighed by savings in service delivery or benefits through improved service delivery, as illustrated in the figure above. A quantification of the cost of public service delivery will of course be required before it is possible to compare costs with proposed delivery-in-partnership or clear private provision of a public service.

The South Australian Department of Treasury and Finance, in its *Partnerships South Australia* programme guiding documentation, states that “[t]he project must be able to demonstrate that, on a whole of life basis, the cost to the community of the project provided by the private sector is lower than for the equivalent project provided by the public sector. To ensure the analysis of the two alternatives is comparable there will need to be a proper accounting for quality of services, price, time frame, risk apportionment and certainty. Agencies should therefore develop an appropriate benchmark, or Public Sector Comparator (PSC), to provide an assessment of the project’s cost effectiveness if wholly delivered by the public sector, against which private sector proposals can be compared. As a benchmark, the PSC should be developed ahead of seeking to engage the private sector. In the majority of cases, previous project viability studies should provide the basic framework for the comparator, which, when finalized, is to be used as a stable reference benchmark. The comparator should not be changed or re-specified after engaging with the private sector unless there are fundamental changes in the nature of the project (for example a change in risk apportionment amongst the parties) after this time” (South Australia Department of Treasury and Finance, 2007:7). The demonstration of affordability and value for money remain determining factors for approval by the relevant treasury in SA (Republic of South Africa, 2001:A4) and there is a priority to leverage better or more services for the same price or even to bring about savings (Republic of South Africa, 2001:B6).

#### 2.5.5.13 *A need for private sector skills*

The SA Treasury (Republic of South Africa, 2001:A4) lists an operational need for private sector skills to deliver a service as one of the conditions on which the benefits of partnerships depend. The access to skills is also a reason for partnership

mentioned by Anderson and Thompson (1999). A need for technical assistance has also been demonstrated as a reason for partnership in Lesotho (Plummer, 2002:186).

#### *2.5.5.14 Availability of private sector capacity*

An identifiable market of private sector bidders prepared to compete for the project is one of the three conditions the SA Treasury lists as requirement for partnerships to be beneficial. Therefore, the availability of ample private sector capacity could be seen as a reason for partnering.

#### *2.5.5.15 The promise of risk transfer*

Risk transfer remains a central theme in many authors' descriptions of reasons for using PPPs (Collin & Hansson, 2000:206). The major investment projects that characterize many PPPs carry a range of inherent risks: in construction, for instance, in terms of getting the building completed on time and within budget, and in market demand, whether forecast customer demand ends up matching reality. Actually having the asset available to users when needed is another risk that needs to be absorbed. In a PPP, such risks can be shared in innovative ways between the public and private sector in order to deliver better value for money than would have been the case using traditional procurement (Hawkesworth, 2010). In South Africa, in order for PPPs to be approved by the relevant Treasury, they must demonstrate the transfer of appropriate financial, technical and operational risk to the private party (Republic of South Africa, 2001:A4). McQuaid (1993) extends this beyond the sharing of **risks** to the creation and sharing of **rewards** and **incentives** towards creating and participating in partnerships (Anderson & Thompson, 1999).

#### *2.5.5.16 The promise of improved service delivery, effectiveness and efficiency*

In South Africa, in order for PPPs to be approved by the relevant Treasury, they must demonstrate affordability (mentioned in 2.5.5.12 above), value-for-money (mentioned in 2.5.5.12 above) and the transfer of appropriate financial, technical and operational risk to the private party (mentioned in 2.5.5.15 above). It is interesting, though disconcerting, to note that these three requirements do not mention delivery of service, and the sum of the three does not guarantee a successful partnership if

success is measured through service delivery. If only these three requirements are taken as guidelines for the approval of PPPs, it means that according to the SA Treasury, a PPP can be successful without delivering the right service at the right time and place.

The SA Treasury motivates its support of national and provincial government departments in using PPPs with the fact that South Africa faces daunting challenges in the delivery of public services and infrastructure. According to the Treasury, the SA Government has implemented a range of infrastructure delivery programmes that have significantly increased access to services, but large backlogs remain. The Treasury argues that addressing the backlogs in essential public services while maintaining sound fiscal policies requires greater efficiency in the delivery of public services. Greater efficiency will enhance the scope for increasing access to services and for providing services of a higher quality (Republic of South Africa, 2001:B5). Once again, one can deliver a service with great efficiency, without that service satisfying any real need. One could be efficiently delivering the wrong service, such as efficiently building inappropriate housing.

Although one can only agree with the SA Treasury's assertion that "[a]ll options for achieving greater efficiency in the delivery of public services need to be explored" (Republic of South Africa, 2001:B5), it is the opinion of the researcher that greater attention should be paid to ensuring that the correct services are being delivered, and then to fine-tune efficiencies. There is support from various sources for the contention that the reasons for the use of PPPs include a need for more effective and efficient policy development and implementation (McQuaid, 1993). Greater efficiency in the delivery of public services can in turn enhance the scope for increasing access to services and for providing services of a higher quality. It is felt that PPPs are vehicles for addressing backlogs while, in line with the specific priorities of the SA National Treasury "maintaining sound fiscal policies" (Republic of South Africa, 2001:B5). Plummer supports the argument that PPPs can be used to unlock effectiveness and efficiency by highlighting the added value that a private partner can bring in motivating and empowering personnel through the implementation of comprehensive training programmes and the introduction of performance

management systems. It is also believed that the private partner can align personnel to a customer-focused approach (Plummer, 2002:22).

#### *2.5.5.17 Access to alternative funding*

The need for access to alternative funding can also become a reason for partnering. The South African National Road Agency Ltd (Sanral), when discussing its plans to expand its responsibility by including more of the roads currently the responsibility of provincial authorities, argued that “[a]gainst this background it is important for Sanral to gain access to alternative funding in order not to threaten the fiscus” (Sanral, 2006a:34). A PPP can contribute to establishing a sustainable utility through the implementation of cost-effective processes, and also through the injection of the necessary capital investment funding (Plummer, 2002:22). The capital investment injection mentioned above can be made by an international partner that can source investment from other economies if investment funds are not locally available. It should of course be mentioned that governments are normally quite able to raise foreign loans themselves. Where a government is not regarded as legitimate by the international community, such a government may of course have more obstacles in the way of procuring foreign investment. This brings to the fore the very real risk that a government can use a PPP to gain foreign investment which it would not otherwise have access to.

One of the longer-term objectives of the formation of the JV PPP “AGUACAR” for water and sanitation in Cartagena, Colombia in the mid 1990s, was to secure access to soft loan finance from international financial institutions in order to upgrade and expand the system (Nickson, 2001, as well as Foster, 1998, both cited in Plummer, 2002:156). Nickson (2001, cited in Plummer, 2002:238) explains that the Colombian government underwent a major policy shift towards the use of PPP in the early 1990s, promoting a market approach that assigned a key role to private capital and technology in the institutional reform process. One of the reasons was a recognition that the country could not afford the level of public spending needed for infrastructure, and that private resources were needed to fill the gap, leaving public funds for social programmes. In 2010, after the global economic downturn,

Hawkesworth (2010) confirms the possibility that PPPs can be seen as a way of accessing additional funds when he says:

*When national budgets are on bread-and-water diets, PPPs are like a parcel of cheese and sausage under the floorboards.*

According to the OECD, the financial crisis had an immediate negative impact on the volume of PPP projects in OECD member countries. As credit markets dried up, debt capital became next to impossible to secure by SPVs (special purpose vehicles), and new projects that had not already been finalized largely came to a standstill. In response to these developments, a number of countries made efforts to unclog the PPP pipeline by making financing available in various forms. The United Kingdom chose to do so by setting up a unit within the Treasury that acts like a private sector bank: the Infrastructure Finance Unit. France and Portugal chose to set up a guarantee scheme, and other countries such as Korea and Mexico set up special PPP initiatives as part of their fiscal stimulus plans (OECD, 2010). Hawkesworth (2010) argues that PPPs have on occasion been used to finance expenditures which would not otherwise be approved given the debt and deficit constraints on national budgets. He cautions that ceding to that temptation too hastily in the midst of the global financial crisis would be ill-advised, but adds that this does not mean that governments should stay away from PPPs. Rather, he believes, they have to focus on using PPPs for attaining value for money, not as accounting gimmicks.

#### *2.5.5.18 Resource availability*

Government and specifically local government can be motivated to embark on partnerships to get access to external resources that it cannot afford to establish and maintain on its own (McQuaid, 1993). Such external resources could include funding, property, expertise, and links to support schemes.

#### *2.5.5.19 Resource sharing*

The benefits to be derived include greater sharing of information and resources between public agencies, and between the public, charity, voluntary, community and business sectors (Rowe, 2006:209).



#### *2.5.5.20 Improved service design*

The public sector perspective is also positive about engagement with local communities to better plan and design service provision, thus improving take-up and outcomes (Rowe, 2006:209). This would lead to better product design by the public sector.

#### *2.5.5.21 Experimentation and learning*

PPP initiatives should allow for experimentation and for learning from small-scale initiatives, mainstreaming the lessons learnt from these initiatives where they have proven to be effective (Rowe, 2006:209).

#### *2.5.5.22 Legitimacy and conflict avoidance*

Partnerships could also be seen as a vehicle to achieve greater legitimacy for policy through direct involvement of local community “rather than through the representative democracy of central and local government” (McQuaid, 1993). Partnerships have been said to facilitate improvements in local democratic life, both through participation in decision-making and in elections (Rowe, 2006:209).

#### *2.5.5.23 Avoidance of duplication*

It has been argued that the desire to avoid duplication can motivate the use of PPPs (McQuaid, 1993). A counter-argument could be that duplication is the only way to encourage competition, or even that the use of PPPs could encourage duplication if, for example, two companies are given adjoining concessions in a specific area – as was the case in one Philippine case study (Plummer, 2002:158).

One would however have to accept McQuaid’s argument that partnerships could be the vehicle with which to avoid duplication if competing interests could be brought together to work off one common infrastructure base.

#### *2.5.5.24 Replication of good practice in other joint initiatives*

Public sector reasons for partnering could include an intention to replicate the good practices that were employed in other, previous or concurrent initiatives (McQuaid, 1993). This reason is related to the policy transfer argument earlier in this section.

#### *2.5.5.25 Improved decision-making*

A need for improved decision-making can motivate the public sector to pursue partnership models. One could argue that a public-private partnership brings the same advantages as those that emerge from joint ventures involving multi-national corporations. Due to a pooling of information by diverse parties, more information is available from which to make informed decisions as opposed to decision-making that could become groupthink in a homogenous group. Information pooling is the major beneficial effect of management team diversity on the performance of a private business entity. Information pooling refers to the process in which members of groups pool their information and knowledge in order to improve the group's decision-making. In the information pooling process, people who are very similar may possess less overall information as a group, than those who are very different. Accordingly, a very low level of diversity in the top management team may lead to relatively limited information and knowledge pooling, especially in an international business context (Jackson, 1992:138–173; Karakowsky & Lam, 2002:844–845). Plummer (2002:22) believes that public organizations recognize the added value that a private partner can bring in enabling a decision-making culture based on business principles and not on political or bureaucratic considerations.

#### *2.5.5.26 As response to international pressure*

Growing pressure on central government from international financial institutions to open up basic service provision to PPPs is recorded as one of the reasons for a policy shift towards PPPs in Colombia in the early 1990s (Plummer, 2002:238; Nickson, 2001).

#### *2.5.5.27 Failure of the public sector to deliver a necessary public good or service*

The final reason for the public sector to seek partnership with the private sector is when the public sector is not able to deliver a service that is generally accepted as necessary by the public, basically when the public sector fails to deliver on its mandate. This concludes the investigation of public sector motivations for partnership. In the next subsection, the reasons that the private sector may have to be interested in partnering with the public sector will be discussed.

### **2.5.6 Private sector perspective**

That private sector interest in participating in partnerships is high, is illustrated in the lengths that private sector players go to to become involved in the PPP market, including advertising and promotions on the subject of their involvement in PPPs.

#### *2.5.6.1 Expanded market*

Business will be positive towards public-private partnerships because through such partnerships they are given a bigger slice of the cake. Business is given greater opportunity for creating profit because they become responsible for a larger part of government service delivery. Instead of just providing services or products that are used by government in service delivery, they now become more involved in managing service delivery. PPPs can also imply major capital transactions and borrowing with relatively low risk for the lender while it gets access to capital transactions that could have happened outside the commercial sector were it not for the use of a PPP vehicle. As an example, the private company Investec formed part of the project and infrastructure financing team for the R2.9 billion re-financing of the Maputo Corridor N4 Toll Road – according to Investec the first transaction of its kind for a public-private partnership (Investec, 2006).

#### *2.5.6.2 Gaining expertise*

At a conference in Cape Town in 2006, the British Member of Parliament and Financial Secretary to the Treasury, Stephen Timms, indicated that the British government has used public-private partnerships as vehicles for modernising public services and British business alike. “Britain's businesses have gained a great deal of

expertise in public-private partnerships and many are finding this is valuable expertise when seeking to win business overseas” (Timms, 2006).

#### *2.5.6.3 Image / reputation enhancement*

Businesses use the positive associations with partnership in their advertising, as illustrated by the three quotes below:

- “So whether we are designing new roads or upgrading and rehabilitating existing ones, we always work in partnership with our clients so that they get exactly what they need for the communities they serve” (Jeffares & Green Consulting Engineers, 2006:26).
- “ARCUS GIBB will continue to partner with Government, private sector and the wider communities in building a better and brighter South Africa” (ARCUS GIBB, 2006:28).
- “Working in partnership to secure African energy from African waste” (Enviro-Fill, 2008:32).

#### *2.5.6.4 Access to resources, statutory powers and legitimacy*

The local authorities themselves also provide resources, statutory powers and democratic legitimacy to such partnerships (McQuaid, 1993).

#### *2.5.6.5 Financial benefit*

Financial benefit is of course the overarching goal of private business and the profit motive cannot be discounted as a reason for private sector interest in participating in PPPs (Collin & Hansson, 2000:206). Financial benefit that a private partner could accrue is not only related to profit. A private partner in partnership with a low-income community where it is delivering services could benefit financially by reducing illegal use of services by a community that is excluded from such a service, by enabling the private provider to project a positive image and gain credence as a responsible corporate citizen providing affordable services to poor communities (Plummer, 2002:25).

### **2.5.7 An Operator's Perspective**

Although municipalities are generally anxious to ensure and accelerate the changes they think are necessary in terms of water and sanitation service delivery, many of them acknowledge that they suffer drawbacks which inhibit adequate service delivery, including bureaucracy, financial constraints and excessive political interference. These constraints can be overcome with full commitment to a partnership between public and private parties. An experienced and competent private partner is able to bring the required added value to the partnership (Plummer, 2002:22).

### **2.5.8 A Civil Society Perspective**

In this subsection the “third sector” mentioned in the definitions section is addressed and the reasons for partnering from the perspective of this sector are analysed. Some NGOs are motivated to become involved in PPPs because they see the involvement of the private sector as a feasible option as a delivery vehicle for water and sanitation improvement, and want to play a role in protecting poor stakeholders in such projects. NGOs generally accept that Government gains access to improved management capacity through BoTT (build, operate, train and transfer) public-private partnerships and that the private partner contribute technical knowledge in the planning, designing and monitoring of construction and other activities.

The private sector can provide guarantees and professional indemnity insurance required for large and capital-intensive contracts – something an NGO cannot do. Charitable organizations can also provide public services. Where this is done in a financially viable manner, Roth (1987:11–12) argues it can be considered private provision of public services. Civil society also sees partnership as an opportunity for greater accountability and oversight of public services (Rowe, 2006:209). From an international NGO perspective, the UNDP argues that PPPs can be a valuable tool for facilitating efficient and effective provision of infrastructure and services. They state that in the early 21st century there is a trend toward increased use of PPPs, in both developed and developing/transitional economies. This trend, according to them, is observed at the national, regional, and local/municipal level. It is the opinion of the UNDP that governments today face growing demands for infrastructure and

public services. However, their ability to meet the needs of their citizens may be constrained by a lack of capital, lack of technical, management, or governance expertise, or limited civic institutions. This provides a climate in which PPPs should be considered as an option for appropriate projects or services. Through PPPs, governments may be able to leverage their limited public capital, and improve efficiency and cost-effectiveness of the delivery of public services and infrastructure. In many cases, partnerships can also offer a means of providing more current technologies for the delivery and operation of projects and services. Finally, PPPs can aid in meeting a wide range of social and economic goals.

### **2.5.9 Low-income community perspective**

Low-income communities will support partnerships that assist them in gaining access to adequate water supply – giving or increasing access to services. Such communities are positive towards partnerships that are adept at resolving or manoeuvring around a legal impasse between a contractor and national government or achieving multi-sectoral collaboration to solve complex problems and unblock deadlocks (Plummer, 2002:25).

### **2.5.10 Water and sanitation programme perspective**

Motivations from a water and sanitation programme perspective to support partnerships include the ability of partnership to: increase access for poor consumers; increase efficiency; increase capital investment; enable better cost recovery; and unlock local private potential. It is however recognized that these benefits will be reliant on well-designed transactions, effective regulatory control and government willingness to step back from day-to-day service delivery. Problems that can be experienced include the fact that poor transaction design can hurt poor consumers, that small and local providers can be displaced by careless design, and that sloppy tariff design can create disincentives to connect new (poor) users (Plummer, 2002:26).

### **2.5.11 Donors' perspective**

International development programmes are created by agencies that are extensions of governments, in developmental terms. Notwithstanding the internal agendas of

bilateral donors, donor interest in partnership formation may be driven by their interest in:

- Promoting the role of the private sector in economic development and reducing the role of the state;
- Mobilizing private sector investment in the context of decreasing aid flows;
- Creating a more efficient, predictable and conducive environment of aid funding and technical assistance;
- Promoting institutional change in key sectors;
- Promoting private sector participation in service delivery to the poor and
- Promoting efficient, equitable development (Plummer, 2002:109).

The UK Department for International Development (DFID) is a prominent player in the international donor organization environment. From its perspective, the advantages of partnerships, and therefore the reasons why it would support partnerships, is that partnerships can reduce cost, increase the efficiency and scope of urban services, and facilitate new capital investment (Plummer, 2002:28).<sup>5</sup> DFID also sees that partnerships benefit from the involvement of both the private and the public sector, bringing the advantages that are inherent in each of the sectors to bear on service delivery problems. Public-private partnerships benefit from the involvement of the private sector by gaining access to innovation, finance, knowledge of technologies, managerial efficiency and entrepreneurial spirit. At the same time the partnerships enjoy access to the social responsibility, environmental awareness and local knowledge of the public partner (Plummer, 2002:28).

It is DFID's opinion that PPPs provide a rich menu of ideas and models for local government to choose from (Plummer, 2002:28). DFID indicates that the private provision of services are easiest to apply where consumers can be charged and competition is possible and are effective only if independent regulators can protect the public from excessive charges (Plummer, 2002:28). Donors are also positive

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<sup>5</sup> One could of course question DFID's motivation in supporting partnerships and why it would want more privatization. It would be possible to argue that DFID has an underlying, less publicly stated, interest in unlocking business opportunities for UK business.

towards partnerships because partnerships can improve the allocative efficiency of loans, increase productive efficiency, and reduce the risk that may be involved in foreign investment (Plummer 2002:156).

### **2.5.12 A Mayor's perspective on the reasons for using PPPs**

Political leadership obviously has a strong influence on the choice of service delivery options in government, and even more so at local government level where politicians are much closer to service delivery than at provincial or national level. Depending on their ideological background, political leaders may be for or against the use of partnerships, as is illustrated in more than one case study referred to in this dissertation. In this subsection the reasons why the Mayor of Kathmandu Metropolitan Municipality supported the partnership option in his municipality are described. Keshav Sthapit, Mayor of Kathmandu Metropolitan Municipality, argued that the demand for services has “sky rocketed” due to urbanization. He indicated that previously centralized service provision had been decentralized to local level, and that service delivery was reactive and in constant crisis - suffering from old and inadequate infrastructure. Budget and staff were not enough to meet the challenge and the municipality wanted the rapidly developing private sector to share the burden of the services they were demanding (Plummer, 2002:20).

In summary, the motivation for the mayor to support partnership was that supply could not meet demand for public services and that increased service delivery responsibility due to government restructuring further widened the gap between service delivery and demand. Infrastructure had also become old and inadequate. According to the Mayor, the experience has been positive. “Mutual confidence between the public and private sector is growing, and I anticipate that in the future more and more services will be managed as PPP ventures. I believe that the lessons learned in Kathmandu can be, and are being applied elsewhere in Nepal, and are applicable to other countries in Asia” (Plummer, 2002:20). This concludes the discussion on the different perspectives on the utility of partnerships. The next section of this chapter is dedicated to the different applications for which partnerships are used.



## **2.6 USES FOR PARTNERSHIP**

Several examples of partnerships and uses for partnerships have been described in sections 1.1 and 2.1. In this section the various purposes for which partnerships are being used and have been used in the past will be discussed. As a start, some very practical examples from the city discussed in the previous subsection, Kathmandu in Nepal, will be mentioned. In 2002 the Mayor of Kathmandu Metropolitan City offered the following examples of PPPs in the municipality which were established in terms of a PPP policy of the city approved by its council in 2000:

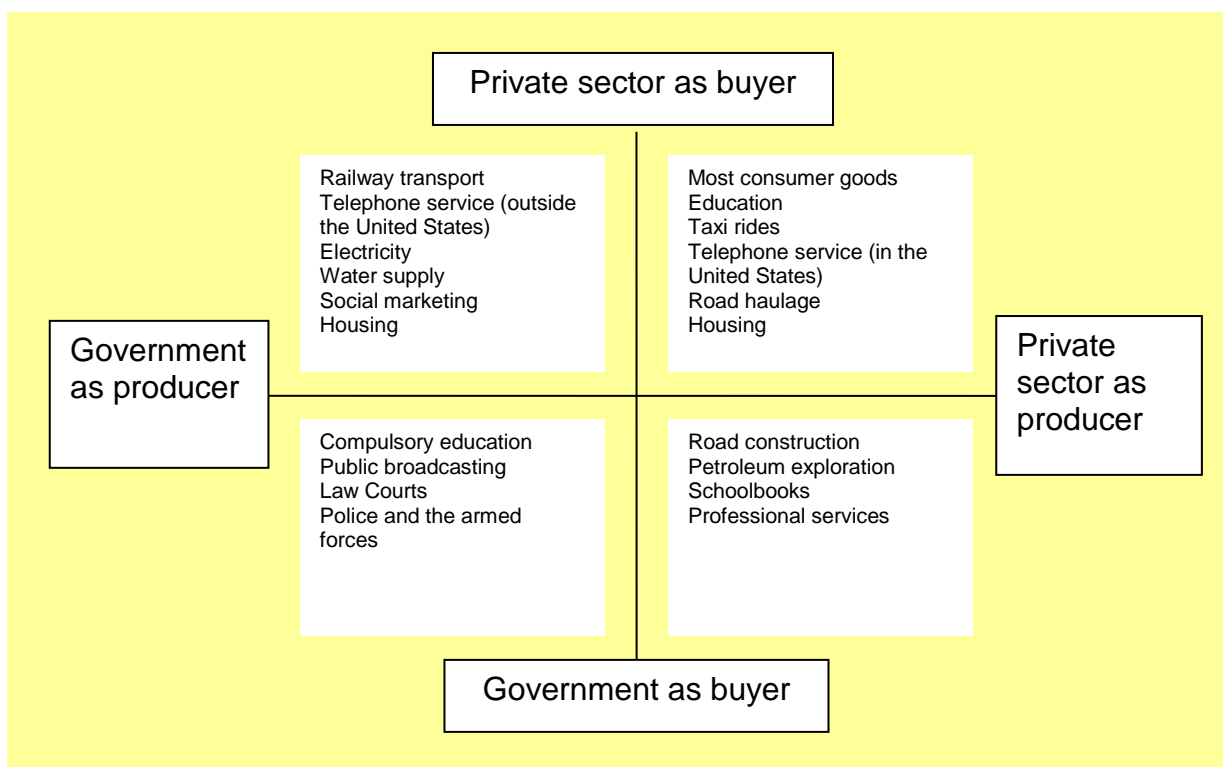
- Management of bus terminus and investment in expansion;
- Landscaping and managing open spaces around the town;
- Collecting garbage through innovative schemes (often operated by local user groups on a self-sustaining basis);
- Managing parking and collecting fees;
- Collection of vehicle registration fees;
- Managing and expanding pedestrian bridges (Plummer, 2002:20).

The mayor indicated that the following PPPs were in negotiation stages at the time:

- Managing markets;
- Constructing and operating an abattoir;
- Constructing and operating a solid waste composting and transfer station;
- Municipal fleet management (repairs and maintenance);
- Operating a trolley bus service, as an extension to the existing service;
- Constructing and operating an underground car park and shopping centre in the CBD;
- Constructing and operating a cultural centre (Plummer, 2002:20).

These very practical examples of the uses for partnership is further expanded upon by the large international company Ondeo (Ondeo-Lyonnaise des Eaux - formerly Suez Lyonnaise-des-Eaux) which in 2002 supplied more than 110 million people with water and sanitation services. Municipalities by which Ondeo were contracted for services on a partnership basis include: Buenos Aires, Casablanca, Atlanta, Santiago and Jakarta (Plummer, 2002:22). Investors are also seeing PPPs as vehicles with

which to roll out clean energy technology development and deployment projects. \$200m was, for example, made available for clean energy projects (solar energy, wind energy, biomass power, and small hydropower projects) in sub-Saharan countries by private investors in 2010 (Clean energy projects, 2010). The uses for partnership are to some degree determined by the relationship between the state and the market in a specific country. There could be a fluctuation in the relationship between the state (government) and the market (private sector) as buyer and producer of public services (Roth, 1987:13). Exactly how this will manifest in each country will depend on the economic and political policies of the country. The figure below illustrates how different uses for partnership were internationally associated with the two sectors in 1987. The Y (vertical) axis of the diagram represents the continuum between government and the private sector as buyers of public services. The X (horizontal) axis represents the continuum between government and the private sector as producers of public services. It is interesting to note that by 2009 one and all of the public services listed below as being produced by government and bought by the private sector have been produced in some or other form of PPP by a private contractor.



**Figure 2.19: The public service producer and buyer relationships between government and the private sector (Roth, 1987)**

Thus far in this section 14 different uses for partnerships have been mentioned. Another recurring theme in the use of partnerships is poverty reduction (Plummer, 2002). Corporate social responsibility projects are also often executed in partnerships set up for the express purpose of these projects. Other popular uses for partnership include telecommunications, transport, ports and eco-tourism (Phasiwe, 2005). In his State of the Nation Address, delivered at the opening of the South African Parliament on 14 February 2003, President Thabo Mbeki indicated that 50 PPPs were already operational in South Africa in such areas as health, education, transport, housing, information technology, tourism and government accommodation. Uses for partnership also emanate from environmental factors, the location of problems, the ownership of the resources needed to address the problem, and the nature of the “citizen” who needs a public service. The networked model used in the US to combat cyber terrorism demonstrates the extent to which government is changing in response to today’s more complicated problems. In simpler times, the federal government might have employed a command-and-control approach for such a critical initiative. But in the wake of the September 11<sup>th</sup> terrorist attacks in the US, a centralised approach was neither feasible nor desirable. As then President George W. Bush explained when unveiling his federal cyber-security initiative:

*“The cornerstone of America’s cyberspace security strategy is and will remain a public-private partnership....Only by acting together can we build a more secure future in cyberspace.”* (Goldsmith & Eggers, 2004:9)

It is already clear that there are multiple purposes for which partnerships can be used. In the following subsections, even more examples of the use of partnerships will be described, but in more detail. This will add further understanding to the breadth of the partnership concept and will aid later discussions on critical success factors.

### **2.6.1 Disaster Risk Reduction**

Partnerships in Disaster Risk Reduction are intentionally chosen as the first use of partnerships to be highlighted in this section due to the researcher’s personal

experience of more than 10 years in this field. The problems that accompany disaster impact are complex and require response from many different stakeholders, some of whom are public and some of whom are private sector role-players. The challenge in longer-term preventive disaster risk reduction may be even more complex in terms of multiple role-players, if less urgent. The disaster risk reduction field therefore seems a logical candidate for a partnership approach due to the multiple role-players involved. The formal use of the term PPP in Disaster Risk Reduction began in the US in 1989 during the formation of IDAC (International Disaster Advisory Committee). FEMA (Federal Emergency Management Agency) used the term while under the leadership of James Lee Witt and Harvey Ryland and expanded it during the Clinton administration (Davidson, 2008).

During personal observation of activities at the Western Cape Provincial Disaster Management Centre, the researcher realized that in the conditions that exist during disaster response, partnership is less of an option and more of a necessity. Partnership is a must in a landscape where so many different organizations, agencies and role-players have contributions to make while trying to manage overlap and duplication, or no up-take of responsibilities by certain role-players. The temporary partnerships formed between senior managers of participating agencies during a disaster are ideally based on relationships that have been planned for and developed over time. Even less structured are the temporal disaster relief organizations referred to in a report on Hurricane Katrina – temporary organizations with no history or structure that are created without ceremony and which fulfils important requirements – operating successfully alongside more permanent and established relief organizations (Farnham, Pedersen & Kirkpatrick, 2006:44). In Disaster Management, it has been said that the most important partnership is with the victim (or potential victim) of disaster. This links to the fact that the client participates in the production of a service as opposed to a product.

At an informal breakfast discussion with representatives of UN agencies working in South Africa during the xenophobia crisis in 2008, the representatives related the difficulties they have faced in dealing with governments in different countries. The discussion then turned to the question of whether it could be easier or less complicated for the UN family to intervene in a country of which the government has

collapsed. In such a case there is less complexity caused by interfacing with government structures, and the aid agencies can work according to their own programme without undue political influence. The UN staff found this question interesting, and responded that although their task could be less complicated without interference from several layers of government, they could never say that they would prefer to work in a country with a collapsed government. The message, for partnerships, from this interaction is that complexity should be expected and responded to with patience. The discussion also lingered on experience and it was agreed that previous partnership experience always helps to produce better partnerships. South Africa at that time had no previous experience of working with UN agencies that were providing relief inside the country and this lack of experience did influence the efficiency with which international aid was integrated into the relief operations in response to the xenophobia crisis (also see Polzer, 2009).

According to Davidson (2008), PPPs in Disaster Management are often and quite understandably built to solve a passing problem. He feels, however, that the larger “common business interest” has never been researched in enough detail to build a sustainable PPP. He believes that the “common business interest” is employment protection (from hazards) and rapid job restoration or creation after an event. He argues that protecting employment against all hazards solidifies a tax base, which is the backbone of economic viability (Davidson, 2008).

This subsection has focused on the use of partnerships in Disaster Risk Reduction in order to illustrate the wide applicability and use of partnerships. The above example of the use of partnerships shows its use in crises and high-pressure situations. In crisis situations it is probably more acceptable for the government to play a strong role, while the proponents of marketising the provision of public services would argue that the state has a much smaller role to play in everyday situations. If the partnership model can also be used in more routine low visibility services then it will show that partnerships are viable service delivery mechanisms across a wide spectrum of public services. An example of such a low-pressure, everyday service is waste management and waste recycling.

## 2.6.2 Waste Recycling

In 2008 an average of 80 tons of household recyclables were being collected and reprocessed annually instead of going to landfill in certain areas of Cape Town, thanks to a kerbside recycling collection programme involving the collaboration of the City, communities, a private contractor and informal collectors. Informal collectors were included in the recycling stream. Rather than being considered a nuisance, their role was “formalized” and they were paid per weight collected (Tyrell, 2008:25–26). Success factors identified by Tyrell in this partnership included an experienced recycling contractor, a supportive solid waste management department, a thorough media and promotion campaign, closely-linked communities, involvement by local councillors and the inclusion of informal collectors. The above examples further exhibits the utility of partnerships in public service delivery and proves that partnerships can be necessary and successful in the delivery of services where rapid high-pressure and critical decisions must be made, but can be just as necessary and successful in services that, although also important, does not require critical high-pressure and immediate decision-making.

The reference by Tyrell to closely-linked communities bears further discussion. Lovrich (1999) argues that there is good reason to attempt to draw on existing stocks of social capital in collaborative partnerships directed to community quality of life improvements. Such efforts tend to be broadly supported by conservative and liberal elements alike, and where social capital is strong, positive effects can be observed in a relatively short period of time. It is important to recognize, however, that in settings where social capital resources are weak, it will be necessary to make a long-term commitment (including patience) to agency-community partnerships. These comments point to a need for either sufficient social capital or sufficient time to build sufficient social capital.<sup>6</sup>

Related to the building of social capital, partnership can be seen as an instrument to bring communities and the state or the market and the state together, to build bridges

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<sup>6</sup> SF: Sufficient social capital and/or sufficient time to build social capital.

and mitigate animosity or belligerence between the private and public sectors. The difference between the market (focusing on supply and demand and the survival of the fittest) and public bureaucracy (theoretically or ideally working towards improving the human condition and supporting the weak) is pronounced and partnerships can bring mutual understanding. There are of course conditions where the market is more visible and other conditions where the state is more visible. It is possible to say that the state is normally more visible in times of crisis, as was evidenced by the rescue packages and bail-outs provided to financial, commercial and industrial institutions by world governments in the global recession during 2009 and 2010 as well as the historically high visibility of the state during times of war or disaster. In times of peace and economic prosperity the market becomes more visible (Refer to the discussion on the theoretical shifting of the understanding of the nature and extent of the public sector and of “publicness” by Newman and Clarke on page 264). The next use for partnership that will be discussed is as an instrument to escape financial crisis.

### **2.6.3 Escaping financial crisis**

The global financial crisis experienced from 2008 has created a poignant footnote to this research project and an opportune discussion with which to conclude this discussion of the uses for partnership. Governments may find public-private partnerships (PPPs) especially tempting in the aftermath of a financial crisis, and one can rightly ask how hasty decisions by desperate governments can be avoided (Hawkesworth, 2010). As Hawkeswoth (2010) intimates:

*When national budgets are on bread-and-water diets, PPPs are like a parcel of cheese and sausage under the floorboards.*

In reality though, PPPs are long-term contracts whereby the private sector delivers services – such as a bridge or hospital building – used by the public sector. Major investment projects carry a range of inherent risks: in construction, for instance, risk is inherent in the necessity of getting the building completed on time and within budget, and in market demand, whether forecast customer demand ends up matching reality. The need to actually have the asset available to users when needed is another potentially risk-inducing facet of service delivery. In a PPP, such risks are

shared in innovative ways between the public and private sector in order to deliver better value for money than would have been the case using traditional procurement. Still, they have on occasion been used to finance expenditures which would not otherwise be approved given the debt and deficit constraints on national budgets. Ceding to that temptation too hastily would be ill-advised. This does not mean that governments should stay away from PPPs, but they have to focus on using PPPs for attaining value for money, not as accounting gimmicks (Hawkesworth, 2010).

By 2010, the financial crisis “has been rough” on PPPs. The lack and high cost of credit stymied plans for new projects and the refinancing of those already underway. Moreover, operational PPPs such as transportation projects and airports, which depend on drivers paying tolls and airline companies paying landing fees, have watched revenue dry up as travellers cut back on spending (Hawkesworth, 2010). Despite the historic drop in interest rates, risk premiums soared between 2008 and 2009, widening the spread of corporate bonds to the highest in recent memory. The threat to PPPs was clear, and as part of the large stimulus plans enacted in OECD countries, governments adopted various initiatives to keep interest in PPPs alive (Hawkesworth, 2010). The UK, for instance, created the Infrastructure Finance Unit to fund PPPs unable to secure loans on the market. Once market conditions become more favourable, the loans will be sold off prior to maturity. No ceiling has been set on the amount that can be loaned. Likewise, until the end of 2010, the French government is guaranteeing up to 80% of the capital needed for PPP investment projects – and has set aside €10 billion for the purpose. Portugal has earmarked €7 billion for a similar programme. Korea is funnelling 15% of its fiscal stimulus investments through PPPs. Most of these projects are “build-transfer-operate” projects (typically, transportation services such as roads and railways) and “build-transfer-lease” projects, for example, the construction of schools and dormitories or the expansion and improvement of sewerage systems. Most of these initiatives involve so-called dedicated PPP units. These are groups of experts brought together to assist governments in managing risks associated with PPPs in a bid to ensure value for money (Hawkesworth, 2010).



### 2.6.3.1 *Dedicated PPP Units*

Seventeen OECD countries today have dedicated PPP units. They provide policy guidance and technical support, for which they are sometimes criticized, since they might mingle policy formulation and technical support during the assessment of a project. There are also fears that the closer a unit is to the relevant political authority, the more vulnerable it is to political sway when it comes to choosing projects. Another concern is that the creation of a unit implies the approval of PPPs as the policy tool of choice, undermining the case for other viable procurement methods. Despite these reservations, dedicated PPP units have an important advantage over regular procurement methods: they have the skills to focus on attaining value and ensuring that budget considerations, both in terms of the benefits and the costs of projects, are kept to the fore in project choices and that contingent liabilities are rigorously evaluated. They can also mitigate some of the problems stemming from the fact that PPPs or traditional procurement methods are, in some countries, not subject to the same tests – making the playing field uneven, as recent OECD research reveals (Hawkesworth, 2010). Another strength of PPP units is their potential to reassure potential private partners that the government possesses the necessary expertise to negotiate PPPs, allaying anxieties over the waste and confusion caused by the distribution of management responsibilities among a host of government departments. The units consist of experts who advise the various relevant government departments, although they may also carry out mandatory reviews. More rarely, they approve projects and promote PPPs. Approval is usually still the prerogative of the ministry of finance's central budget authority. Units may be located in the higher ranks of government such as in the ministry of finance, farther down in line ministries like transport and power, which are already familiar with PPPs, or outside government in an independent government agency working in collaboration with one of the ministries (Hawkesworth, 2010).

What the lending initiatives mentioned above all have in common is that they are temporary and reversible. This is an important caveat. In trying to re-awaken investors' appetites for PPPs, governments are assuming considerable risk. This is why the OECD recommends that in addition to being temporary and reversible, these initiatives be assessed in terms of cost, budget and transparency. There are many

examples of support measures carried over into subsequent and more clement budget cycles where they are not needed. When the additional cost of entering a PPP under the current economic conditions outweighs its efficiency and value for money, the project should be postponed until market conditions improve. Fortunately, there are signs that the clouds are lifting. An economic recovery is slowly under way, and market conditions for PPPs are brightening again (Hawkesworth, 2010). However, they must not be chosen for the wrong reasons. The survival of certain projects will require hard decisions from governments. Such decisions will be less onerous if the budget and costs associated with the projects are made transparent, with the overriding principle being value for money (Hawkesworth, 2010). OECD Countries with dedicated PPP units include Australia, Belgium, Canada, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Netherlands, Poland, Portugal and the UK (Hawkesworth, 2010).

This concludes the discussion of partnerships as a means of escape from financial crisis. In 1999, Domberger and Fernandez were of the opinion that public-private partnerships were set to go on expanding at a fast rate. In 2010 the evidence suggested that they were not wrong. In the next chapter the different forms that partnership may take will be investigated.

## **2.7 CHAPTER SUMMARY**

This chapter has provided the first instalment of an overview of the PPP phenomenon. The history of partnerships and the defining elements of a PPP were explored, and the symbiosis metaphor for partnership was presented. Definitions of concepts that are critical elements of the discussion in this dissertation were also provided. These definitions included the key concepts of “public”, “private”, and “partnership” as well as PPP itself. Reasons for partnering were subsequently highlighted, and the usefulness of partnerships was explained. A number of success factors for partnerships have been identified in this chapter and will be dealt with in the next chapter, where a consolidated list of identified factors for chapters two and three will be compiled. The next chapter will allow further exploration of the PPP concept by providing an overview of the types of partnerships, the management of partnerships and the life cycle of partnerships.

1	2	3	4	5	6	7	8
<b>PARTNERSHIP MECHANICS AND MANAGEMENT</b>							

Chapter 1: INTRODUCTION
Chapter 2: PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW
<b>Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT</b>
Chapter 4: CRITICAL SUCCESS FACTORS Perspective 1: Collecting opinions and evidence from literature
Chapter 5: EVALUATING PUBLIC-PRIVATE PARTNERSHIPS Perspective 2: Interrogating definitions and opinions of success to establish success measurement instruments
Chapter 6: EXAMPLES AND THEIR SUCCESS OR FAILURE Perspective 3: Analysing case studies using measurement instruments from the previous chapter
Chapter 7: SUCCESS AND FAILURE: SEARCHING FOR A PATTERN Comparing the evidence from different perspectives
Chapter 8: SUMMARY AND CONCLUSION: KEY ASPECTS OF SUCCESSFUL PARTNERSHIPS Synthesis: Evaluating the evidence
9.: ABBREVIATIONS AND ACRONYMS
10.: REFERENCE LIST
11. Annexure A: PPP ENABLERS PER COUNTRY
12. Annexure B: QUESTIONNAIRE TABLES

### 3 PARTNERSHIP MECHANICS AND MANAGEMENT

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In this chapter the more technical aspects of partnership management will be explored, building upon the introduction to PPPs provided in Chapter 1 and the first instalment of a detailed PPP overview which was provided in Chapter 2. The discussion in this chapter will commence with an exploration of partnership forms and contract types. The structures and management of partnerships will be investigated and certain barriers to partnership will be highlighted. Negative aspects of partnerships will be illuminated, after which selection criteria for partners will be presented. Finally the context in which partnerships exist as well as the life cycle of partnerships will be discussed before a summary of the chapter will be provided. Success factors for PPPs will be identified in this chapter, as in the previous chapter, through the use of footnotes. The identified success factors from this and the previous chapter will be listed and then consolidated in the chapter summary. A first attempt at developing an evaluation instrument for partnerships will also be made in the chapter summary. Chapter 2 has provided an overview of the PPP concept and in the next section the different forms that PPPs can take will be explored.

#### 3.1 FORMS OF PARTNERSHIP

In this section the variety of partnership forms that can be found are described in order to highlight the many different options available, to show what has been done in terms of partnerships internationally, and also to further expand the vocabulary and understanding of partnerships for use in later discussions. Importantly, more forms of partnership than the traditionally defined PPP will be described here. Generally accepted versions of the PPP will be supplemented with a wide variety of additional partnership types, some with strong links to PPPs and some that differ considerably from the generally accepted pattern of PPPs. PPPs offer a large range of solutions, from semi-public companies devoted to operations to long-term investment schemes enabling the alleviation of the financial debts of the authorities in charge of public service delivery (Buisson, 2006).

According to the SA Treasury (Republic of South Africa, 2001:B5) the simplest form of a PPP is a service contract. In such contracts, a department typically awards a

private party the right and obligation to perform a specific service, within well-defined specifications for a period of perhaps one to three years. The government retains ownership and control of all facilities and capital assets and properties. A key feature of more complex PPP arrangements, such as concessions (compare the Privateers discussed at the start of this chapter) and build-operate-transfer (BOT) schemes, is the mobilization of private finance on a limited resource basis. In the former, the concessionaire's responsibilities are expected to include maintenance, rehabilitation, upgrading and enhancement of the facility, all of which may involve substantial capital investment. In the latter, the private party undertakes the financing and construction of a given infrastructure facility, as well as its operation and maintenance, for a specified period of time. Given the often substantial capital investment by the private sector under such arrangements, the contracts tend to be of long duration (around 25 years).

The SA Treasury has a very specific view on the difference between 'outsourcing' 'privatization' and 'PPP'. The Treasury contends that unlike **outsourcing** (such as hiring a security or cleaning company to do a job), a **PPP** entails the private party taking very substantial risk for financing a project's capital and operating costs, designing and building a facility, and managing its operations to specified standards, normally over a significant period of time. Furthermore, Treasury indicates that in a PPP, the land typically belongs to the public institution, not to the private party, and the fixed assets developed in terms of the PPP are thus state property. Treasury's view on **privatization** entails the sale/disposal of state property and functions - including all the assets and liabilities associated with that property and functions (PPP Unit of the SA Treasury, 2004). The most important fact from the above discussion on differences between outsourcing, PPPs and privatization are the characteristics of PPPs ascribed to PPPs by the SA Treasury – which indicates a very limiting and parochial view of PPPs. The merits of this view will be further discussed elsewhere in this dissertation.

Another variation on the theme of partnership, with a connection to the question of whether a “silent partner” can be part of a real partnership, is the possible distinction between a “paper” or “virtual” partnership and a “real” partnership. The issue here is whether a partnership that exists on paper is at all meaningful if the paper

arrangement is not mirrored or carried out in real life. One could argue that having a partnership formally established on paper or even forced through legislation is no guarantee that the partnership will actually start up and operate as intended. A counter-argument could be that well-documented founding arrangements will at least provide a better starting point for a partnership than undocumented good intentions. The remarks above point to the alleged necessity for a documented contractual arrangement to formalize a partnership. The US Department of Agriculture Forest Service (2005) refers to partnership types linked to a Memorandum of Understanding or other forms of agreement such as Challenge Cost Share, Collection, Interagency, Participating, Research Joint Venture, Cooperative Research and Development, or Research Cost-Reimbursable Agreements". The benefits of private sector participation vary substantially with different types of contracts, depending on the financial resources that they bring to some projects (Mvula Trust, 2002, cited in Plummer, 2002:24). In the following subsections various types or models of partnership will be discussed individually. The first nine types of partnership contracts or arrangements in the following list are recognized by the SA Treasury.

### **3.1.1 Service contract**

The service contract is seen as the simplest form of PPP. In such contracts, a department typically awards a private party the right and obligation to perform a specific service, within well-defined specifications for a period of perhaps one to three years. The government retains ownership and control of all facilities and capital assets and properties. The public entity pays a fee to a private organization to provide specific operational services such as meter reading, bill collection or garbage collection. The typical duration of a service contract is 1 to 3 years (Plummer, 2002; Republic of South Africa, 2001). The service contract may also be a supply contract, a civil works contract or a technical assistance contract (Plummer, 2002:187). Service contracts may, for example, be found in cities without sewerage, when the upkeep of a fleet of special-purpose vehicles for septic tank cleaning is contracted on a fixed term to local entrepreneurs (Plummer, 2002:187).

### **3.1.2 Management contract**

The management contract moves beyond the delegation of discrete service functions to the delegation of a range of delivery, operation and maintenance functions. The municipality retains ownership of assets and – like the service contract – is responsible for capital expenditures, working capital and the commercial risk associated with collecting service fees from users (Plummer, 2002:189). A private sector organization assumes overall responsibility for the operation and maintenance of a service delivery system, with the freedom to make day-to-day management decisions. The typical duration of a management contract is five years (Republic of South Africa, 2001) or 3-8 years (Plummer, 2002). Johannesburg Water and Sanitation is an example of a management contract. The management contract can address efficiency objectives, although not the structural problems associated with under-investment (Plummer, 2002:191).

### **3.1.3 Outsourcing**

Outsourcing is a type of management contract whereby the private sector manages and operates a particular activity and in addition may be tasked to provide capital investment, in exchange for a fee by which it is compensated for its management efficiencies and by which it recoups its financial investment. The duration of outsourcing varies, but a minimum of 5 years normally apply. Examples include IT and Vehicle Fleet outsourcing (Republic of South Africa, 2001).

### **3.1.4 Lease contract**

This type of PPP entails that a private sector organization leases facilities from a public sector entity and assumes responsibility for operation and maintenance. The lessee is responsible for working capital and replacement of capital components.

The typical duration of a lease contract is 10 years (Republic of South Africa, 2001) or 8-15 years (Plummer, 2002:195). Examples of lease contracts include the joint use of facilities/hospitals by public and private entities. The lease contract aims to provide an arrangement through which a municipality (or utility) can lease infrastructure and facilities to a private firm, which then operates and maintains the service for a fixed period of time. There is no transfer of ownership of existing assets

and the municipality is responsible for the capital investment required to upgrade existing assets or extend infrastructure to new areas (Republic of South Africa, 2001). “Affermage”, a term which originated in France and was brought into the market by the large French water operators, is similar to a lease, in that the operator bears the cost of running the business (or service network) and typically bears the commercial risk by having the responsibility for revenue collection (Plummer, 2002:195).

### **3.1.5 Corporatization**

Corporatization involves a department of a public entity becoming a ring-fenced company, under the Companies Act. The public entity is the sole shareholder of the company and the corporate status of the company enhances borrowing capacity. There is no fixed minimum or maximum duration for such a contract. Examples of corporatization include the NHFC (National Housing Finance Corporation) and Joburg Water (Republic of South Africa, 2001). The NHFC was set up by the Department of Housing in 1996 with a mandate to ensure that every South African with a regular source of income is able to gain access to finance, to acquire and improve a home of his or her own. One of South Africa’s eight Development Finance Institutions, the Corporation acts as a wholesale funder and risk-manager, facilitating access to housing finance for low and moderate income communities (NHFC, 2010).

Other Development Finance Institutions in South Africa include the following:

- DBSA (Development Bank of Southern Africa)
- IDC (Industrial Development Corporation of South Africa Ltd)
- Khula Enterprise Finance Ltd
- Land and Agricultural Bank of South Africa
- National Empowerment Fund
- Umsobomvu Youth Fund

Each of these institutions is an example of corporatization.



### 3.1.6 Concession

In a concession a private organization handles operations and maintenance and finances fixed asset investments. Such projects are designed to generate sufficient revenues to allow investment recoupment and operating costs. The duration of a concession is normally 15 or more years. Examples of concessions include Nelspruit and Dolphin Coast water provision (Republic of South Africa, 2001). In a concession contract, the municipality turns over full responsibility for the delivery of services in a specified area to the partnership concessionaire, including all related construction, operation, maintenance, collection and management activities. The concessionaire is responsible for any capital investment required to build, upgrade or expand the system and for financing those investments. The public sector is responsible for establishing performance standards and ensuring that the concessionaire meets them. The additional responsibility to fund capital investments distinguishes it from a lease (Plummer, 2002:197).

A senior manager of Johannesburg Water Management in 2002 expressed the opinion that the concession remains the most efficient of the various models of PPP:

*The operator can optimize the total cost by deciding daily how to arbitrate between operating and capital investment costs. The result is that through its optimization of the service operation, the private operator enables the financial resources to be made more productive, thus increasing the achievable capital investment programme.*  
(Plummer, 2002:22)

He cites the example of Aguas Argentinas, the Buenos Aires water utility operator managed by Ondeo, which is investing around US\$200 million annually, which represents 40% of the company revenue (Plummer, 2002:22). Among the strengths of concessions is their ability to bring private money into the construction of new service systems or the substantial renovation of existing systems. Among their weaknesses is the fact that large-scale concessions can be politically controversial and difficult and/or expensive to organize.

### **3.1.7 Build, Operate, Transfer (BOT) and Design, Build, Operate (DBO)**

In this PPP model, a private sector organization finances, builds, and operates a facility providing a public service. The relevant public entity pays a fee, usually on a per-unit-of-service basis (e.g. mega-litres of water treated). The duration of BOT and DBO PPPs is normally around 15+ years. Examples include Durban Wastewater Treatment (Republic of South Africa, 2001). BOT and DBO projects are generally designed to bring private capital into the construction of new infrastructure. The operations period is long enough to allow the private company to pay off the construction costs and realize a profit – typically 10 to 20 years. The government retains ownership of the infrastructure facilities and becomes both the customer and the regulator of the service. The private sector provides the capital to build the new facilities and in return the government agrees to purchase a minimum level of output over time, regardless of the demand from the ultimate consumers. Having the government bear the commercial risk is what distinguishes BOTs from concessions (Plummer, 2002:201).

### **3.1.8 Build, Operate, Train and Transfer (BOTT)**

In terms of a BOTT the private sector organization finances, builds, and operates a facility providing a public service. The public entity pays a fee, usually on a per-unit-of-service basis. The private sector organization also trains human resources that will remain with the project after transfer. The duration of BOTT projects are normally 15+ years (Republic of South Africa, 2001). According to the Mvula Trust, an NGO involved in PPPs with private sector organizations and government in South Africa, the complex nature of a BOTT concession requires the private organization responsible to have strong skills in contract administration, programme and project development, coordination and quality control (Plummer, 2002:24). In South Africa the BOTT contract is the primary vehicle adopted by the government to rapidly improve water and sanitation services in underserved rural and peri-urban areas of the country (Plummer, 2002:201). The strength of the BOTT model is its ability to bring private money into the construction of new facilities or the substantial renovation of existing ones. Weaknesses include that it generally involves just one facility or a limited number of facilities, and thus restricts the partnership's ability to help optimize system-wide resources or efficiencies (Plummer, 2002:201–202).

### 3.1.9 Full Privatization

This involves the public entity selling off the facility to the private sector to continue operating as it sees fit – or even to discontinue the operation. The duration of the partnership is not applicable here because privatization puts public resources in private hands for an indefinite period. Full privatization examples include Rand Airport, Metro Gas, and the sale by the SA Government of its partial interest in ACSA (The Airports Company of South Africa) (Aiello, 2001; Republic of South Africa, 2001). When “full privatization” is described as one variety of PPP by the Republic of South Africa, there is a possibly unintended but inherent inference that PPPs are instruments of privatization. This is also the contention of labour movements. For those supporting PPPs and trying to garner labour support for PPPs, this “confession” could be counter-productive. A senior official of Johannesburg Water Management PPP in 2002 expressed a negative opinion of the privatization option. He believes that the privatization model implies that the operator has to buy the existing assets or pay a license fee, as in the UK, Chile or for some US and Central European companies. “In this case, the operator has to bill the customers for the cost of past investments, which doesn’t [*sic*] contribute to an improvement in current and future service” (Plummer, 2002:22).

### 3.1.10 Joint Venture (JV)

The Joint Venture, as described here, is a variation on the “Corporatization” type of PPP described by the SA Treasury in section 3.1.5 above, with the main difference being that the public entity does not become the sole shareholder in the new venture. The joint venture (*empresa mixta*) emerged as the institutional arrangement preferred by the Colombian central government to fulfil the twin objectives of strengthening local government and encouraging private sector participation (PSP) in public service delivery. The arguments put forward in favour of the joint venture were economic and political. The economic argument emphasized that the municipality retained ownership of the assets, as under the more conventional concession contract arrangement, but with the added advantage that, as a major shareholder in the joint venture, the municipality had a financial interest in promoting efficiency in service delivery. The political argument emphasized that, as a major shareholder, the municipality was better positioned to monitor and control the activities of its private

sector partner. This was contrasted with the conventional concession contract, under which the public sector effectively handed over control of the day-to-day operations to the concessionaire. Consequently (and despite conflict of interest) the traditional criticism from public sector unions that the municipality had “sold out” to the private sector was muted by the joint venture arrangement (Nickson, 2001; Plummer, 2002:238).

According to the UK Treasury, a joint venture company with public and private sector shareholders is a distinct form of PPP. A joint venture constitutes the creation of a new company, which will be a separate legal entity with its own name. This new company will be the vehicle by which the common enterprise of the joint venture is carried out. It is important to distinguish the formation of a joint venture company from purely contractual arrangements, such as for the provision of goods or services. The setting up of a joint venture company requires legal documents to be agreed between the founders. These documents will define: the way the new company is to be run and disputes resolved; exit strategies; how often directors and shareholders meet; and the nature of the business and constraints. The activities of the JV will usually be governed by a business plan, which will lay out the future direction and activities for the JV (HM Treasury, 2001:7). Joint venture companies and other types of public-private partnerships are usually established because the parties have complementary objectives: each has a contribution to make to the delivery of a successful business or venture, which they would be unable to achieve independently at lower cost or risk. Generally joint venture companies are appropriate when a business is being created that needs investment and flexibility to maximize its potential. There will, however, be many occasions when the desired results can be achieved more easily through a contractual relationship or other types of partnership. Some of the key features of joint venture companies are set out below.

Key features of a joint venture company from the public sector point of view include the following:

- It will have its own legal capacity, separate from its founders. Consequently, the new company can own and deal in assets, employ people, enter into contracts in its own right, and if it is classified as private will be subject to private sector accounting and tax considerations. It will succeed or fail by its

own efforts. These features need to be balanced against issues such as directors' liabilities, insolvency legislation and wider implications for the public sector body such as public accountability, ministerial responsibilities and audit requirements.

- Using a company structure can improve access to the skills and other resources of the private sector partner(s), such as finance and manufacturing technology.
- The company structure provides a mechanism for capturing longer term value, as the public sector will hold an equity stake in the company.
- Joint venture companies provide flexibility. For example, they can be set up so that they will not pay any dividends in the early years, and any capital growth in terms of share price will only be realized by selling some or all of the shares. Alternatively, other mechanisms with differing value/risk profiles may be employed, such as licensing the public sector assets to the joint venture company in return for a defined sum, or taking a royalty on any sales.
- Staff can be given a greater incentive to succeed, through the prospects of higher salaries and rewards such as bonuses or share options.
- A skilled independent management team can be put in place in the new company.
- A company structure encourages greater focus on the business plan and achieving goals. The new company, as a single entity, can also help in branding/marketing a product or service and dealing with customer enquiries.
- A joint venture company can allow better management of risks and can be used to limit liabilities to the public sector.
- Where necessary, it is still possible for public policy objectives to be preserved by securing the desired level of control in the decision making of the new company as a shareholder or on the board, or by including provisions in the governing legal documents.

There are a number of issues that need careful consideration in order to ensure that the potential benefits of a joint venture company are properly captured. For example, joint venture companies can be difficult (and unsuccessful) when the partners have profound differences in culture, or different underlying commercial objectives (HM

Treasury, 2001:9). The public sector body will need to manage its exposure to risk. After time, the new entity can alter its strategic direction from that originally desired by the founders, if effective joint control mechanisms are not put in place. Also, creating a joint venture company could create conflicts of interest between public sector staff acting in the role of company directors and their roles as public employees. There will be many occasions when a joint venture company is not the best option and the desired results can be more easily or better achieved by other means. Any consideration of the merits of a joint venture company must include an assessment of the benefits and disadvantages of other options. A number of different sorts of contract could be an alternative to establishing a joint venture company, including:

- Service / supply contracts;
- licensing agreements;
- distribution agreements (including royalties); and
- research and development / co-operation contracts.

(HM Treasury, 2001:10)

Joint venture examples include those created through the UK Government's Initiative "Selling Government Services to Wider Markets" (the Wider Markets Initiative). There are a number of UK Government policy initiatives relating to PPPs between the public and private sectors. These initiatives include the Wider Markets Initiative, outlined in *Selling Government Services to Wider Markets: Policy and Guidance Note*, which encourages the greater exploitation of irreducible spare capacity in public assets and goods derived from them, and the Government's response to the Baker Report which encourages the exploitation of the outputs of publicly funded research. The Wider Markets Initiative in the UK introduced a number of policy revisions, including the automatic right to retain the benefit of receipts generated by sales to wider markets. The Initiative encourages the commercial exploitation of both physical assets (spare capacity of equipment, land, buildings) and intangible assets (software, databases, skills, intellectual property) (HM Treasury, 2001:6).

### **3.1.11 Spin-out Company**

A spin-out company is yet another variation on the SA Treasury's "corporatization" category of PPP, and is especially useful where major capital funding is required. As an example, RiboTargets Ltd was established in July 1997 as a spin-out company from the UK Medical Research Council's (MRC) Laboratory of Molecular Biology (LMB) in Cambridge. The company raised £7m from four investors (Apax Partners, Advent International, 3i, and Kargoe). In return for the MRC's intellectual property, know-how and limited use of specified facilities at LMB, the MRC took a 10% shareholding in RiboTargets and a seat on the Board of Directors (HM Treasury, 2001:60).

This discussion of PPP types have now included all those recognised by the SA Treasury and included some types recognised in the UK, Some additional collaboration types have been identified by Creech (2005) from the International Institute for Sustainable Development in a paper entitled "A typology of relationships: knowledge networks, partnerships and other types of collaboration". Many of the types described have overlaps with the partnership concept and the types of partnerships already described in this section.

### **3.1.12 Internal knowledge management networks**

These networks evolve through the thematic mapping of expertise within an organization, combined with the creation of appropriate environments for knowledge sharing. Their primary purpose is to maximize the application of individual knowledge to meet organizational objectives. These networks are largely internal, although they may cross national boundaries through the inclusion of country offices of an organization. Although the networks are sometimes called "communities of practice", the principal distinction lies in the level of "voluntary" participation. In some institutions (UNDP and World Bank, for example), participation in at least one network or practice is in fact mandatory (Creech, 2005).

### **3.1.13 Communities of practice**

Two or more individuals can create a community of practice for conversation and information exchange, possibly even leading to the development of new ideas and processes. Participation is purely voluntary and will wax and wane with the level of interest of the participants. Communities of practice primarily build capacity. They attract individuals who are willing to share their expertise in exchange for gaining expertise from others. The principal driver is the desire to strengthen their own skills for their own objectives, more than a desire to work together on common objectives. Communities of practice can exist within an organization, or be independent of any organization. They can be “in person” or virtual / online (Creech, 2005).

### **3.1.14 Open source development communities**

These partnerships are purpose driven in the development and testing of new ideas. They are open in the sense that anyone wishing to contribute to the purpose can join, and structured in the expectation that members will contribute actively to the purpose, with dedicated monitoring and reviewing of those contributions by the originators of the community. The partnership is hierarchical in that the endorsement and adoption of new ideas is through the inner circle of the original creators of the community. This model of partnership is prone to regular branching off of new communities when ideas are not endorsed or adopted (Creech, 2005).

### **3.1.15 Communities of interest**

These are more loosely knit communities built around common characteristics or shared interests (youth activism, hobbies, personal views). Participation is purely voluntary and will wax and wane with the level of interest of the participants (Creech, 2005).

### **3.1.16 Membership networks**

Membership networks are in some respects, like a community of practice – but involving organizational members rather than individuals. These partnerships have formal structures for governance and operations, usually with a central secretariat (Creech, 2005).



### **3.1.17 Information networks and portals**

These networks primarily provide access to information supplied by network members, occasionally with overlays of interpretative materials that organize content thematically. However, they are fundamentally passive in nature. Users must come to the network — physically or electronically — to benefit from the work of the network (Creech, 2005).

### **3.1.18 Strategic alliances**

In the private sector, these alliances are “long-term purposeful arrangements among distinct but related organizations that allow those firms to gain or sustain competitive advantage vis-à-vis their competitors outside the network.” A true adoption of the private sector model by civil society organizations would involve real value appropriation (money, time and influence) among the partners in the network (Creech, 2005).

### **3.1.19 Networks of experts**

These networks bring together individuals rather than organizations; the invitation to join is based on expertise in a particular area. Their purpose can be either advisory or focused on research and problem solving (Creech, 2005).

### **3.1.20 Knowledge networks**

Knowledge networks focus on strengthening the sharing of knowledge and the generation of new knowledge to have greater influence on policies and practices outside the network. The knowledge is for use beyond the network; the network is purpose driven, to create knowledge for application; and often time bound, in setting and achieving goals and objectives. “Formal” knowledge networks have a greater degree of structure, bringing together expert institutions for more specific research tasks, but retaining the focus on promoting the findings for use beyond the network (Creech, 2005). The idea of networks as a form of collaboration and partnership is also supported by other sources. The South African Cities Network (SACN) is a network that focuses on knowledge management, sharing and learning networks. Networking occurs through communities of practice, partnerships and conferences.

SACN's knowledge sharing partnerships are both vertical and horizontal. Intergovernmental knowledge sharing is vertical and multi-sectoral while horizontal information and knowledge sharing takes place on a city to city basis (SACN, 2003). The Horizontal Learning Programme for Local Government (Hologram) is managed by a consortium-partnership (Nolwazi) which also works in a very 'networked' way, and there is a belief that much has been achieved through this networked approach (SACN, 2003). In 2003 SALGA (South African Local Government Association) and DPLG's (the then Department of Provincial and Local Government) Knowledge Sharing Programme (KSP) was in the process of being implemented and aimed to encourage horizontal and vertical learning within the local government community. The KSP was being driven by a technical committee at that stage and funds were still being raised. Discussions were underway with a number of partners (SACN, 2003).

### **3.1.21 Multi-stakeholder partnerships**

These are partnerships involving several sectors of society, usually including representation from private, public and civil society institutions. Such partnerships are considered to be a key mechanism for translating political commitments into action. The partnerships may be long-term relationships or may be focused on specific project implementation (Creech, 2005).

### **3.1.22 Public Entrepreneurship Networks**

Public entrepreneurship networks are community-based consortia of public, private and citizen interests that come together to introduce, test and use new "greener" technologies (Creech, 2005; Laws, Susskind, Abrams, Anderson, Chapman, Rubenstein and Vadgama, 2001).

### **3.1.23 Global Public Policy Networks**

Global policy networks are coalitions of institutions that work at the public/private interface in the development and implementation of public policy on a global level (Creech, 2005).

### **3.1.24 Global Action Networks**

These are action oriented networks, involving multiple partners, led by strong advocates for change, as new mechanisms for accelerating societal change (Creech, 2005).

### **3.1.25 Business Improvement Districts (BIDs)**

Business Improvement Districts (BIDs) present yet another type of PPP. The BID model is highly popular across the world with a large community of practice, but the model is ignored by writers such as Plummer (2002) who have rather focused on engineering-related water, sanitation and solid waste management PPPs.

According to Hoyt (2008:118) the Business Improvement District (BID) model of partnership originated in Toronto, Canada. By the mid-1960s the impact of rapid suburbanization began to negatively affect retail sales and commercial growth rates throughout the city of Toronto. From the early 1920s through to the mid-1960s, streetcars delivered visitors to the thriving commercial area now known as West Bloor Village, but the opening of several regional malls, including the Yorkdale Mall, along with the completion of the Bloor-Danforth subway line in 1967, detrimentally impacted on this small commercial area located in the western corner of Toronto. Malls offered shoppers a climate-controlled environment with free parking and other amenities, and the shoppers that once rode streetcars on Bloor Avenue were directed underground. In 1963, Neil McLellan, a jewellery store owner and chairman of the “Bloor-Jane-Runnymede Business Men’s Association’s Parking Committee”, invited members of the city’s planning board to discuss the possibility of a business district. For several years, the Business Men’s Association’s Parking Committee relied on voluntary contributions; however, as participation waned, disagreement among business owners intensified and the association’s coffers diminished significantly. This development started a long dialogue between local representatives and businessmen, and spawned the formation of a committee. The committee included the representatives of the Business Men’s Association, City of Toronto Planning Board, City Council, Department of Public Works, Parking Authority, City Surveyors Department, City Real Estate Department, City Legal Department, Department of Streets, Metro Roads and Traffic Department, Department of Parks

and Recreation, Development Department, Toronto Transit Commission, Toronto Hydro Electric Commission, and Ontario Hydro.<sup>7</sup> The committee explored the feasibility of forming a business district with a self-imposed tax on local property owners as a means to circumvent the free-rider problem and to make collective improvements that would protect their various individual investments.

After considerable research into the subject, the committee discovered that the formation of such a district required enabling legislation<sup>8</sup>. With cooperation from the Department of the City Solicitor, the committee drafted the necessary legislation, which passed in the legislature on December 17, 1969 (Hoyt, 2008:118). Six months after the province of Ontario passed section 379g of the Municipal Act, the Council of the Corporation of the City of Toronto passed bylaw 170-70 and the world's first BID, Bloor West Village (then known as the Bloor-Jane-Runnymede Improvement Area), became a legal reality (Hoyt, 2008:118–119). With a modest budget, the voluntary management board designed the first BID programme. The agenda focused on streetscape improvements and special events. In the first year they supervised the installation of more than 100 large planters, new benches, trash receptacles, banners, lighting, newspaper dispensers, and holiday decorations. They also worked with Ontario Hydro and Toronto Hydro Electric Systems to remove utility poles from the street and move services below grade (pavement level).

*“According to Alex Ling, businessman, property owner, and BID director for more than 30 years, these basic streetscape elements dramatically improved the pedestrian experience and attracted customers to the area”* (Hoyt, 2008:119).

The BID model transferred to other areas because with the power to tax members, the BID model of Toronto represents a persistent, competitive, and flexible strategy to confront local dilemmas through the provision of additional public services. Hundreds of governments throughout the province of Ontario have since allowed the authorization of BID organizations. The BID model remains popular in Canada. One

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<sup>7</sup> SF: Wide consultation and stakeholder involvement.

<sup>8</sup> SF: Enabling Legislation

reason why the model transferred so rapidly throughout Canada is that Canadian governments encouraged the establishment of BIDs. In the 1970s the province of Ontario made infrastructure grants only to BID organizations (Hoyt, 2008:119). The BID model is relatively new to South Africa and was imported directly from the United States by a small group of actors in Johannesburg. The first BID enabling legislation passed in South Africa in 1999 (Hoyt, 2008:121). The National Main Street Trust in New Zealand is a related example of an urban upliftment partnership. The mall developments in New Zealand began in the 1960s, and its towns and cities – like their counterparts in Canada and America – were negatively impacted by suburbanization. In the early 1990s, council planners throughout the country imported the Main Street model from the United States, and at least 30 of the more than 150 Main Streets have implemented a separate rate, or self-funding mechanism, which qualifies them as BIDs (Hoyt, 2008:120–121). The New Orleans Downtown Development District, established in 1975, was the United States' first BID (Hoyt, 2008:119).

Throughout the first half of the 20<sup>th</sup> century, Philadelphia's population grew at an impressive rate. However, suburban shopping malls appeared in the 1950s, and the exodus of both central-city businesses and the white middle class to the urban periphery started a decline in population that continues today. Interested in making Philadelphia's central business district more competitive, the Central Philadelphia Development Corporation (CPDC), a not-for-profit membership organization supported by Philadelphia's business leaders that was formed in 1956, deliberately imported the BID model (Hoyt, 2008:119–120). Efforts began in 1985 and by 1990 the enabling legislation was in place and the "Center City District" (CCD) was operational (Hoyt, 2008:120). The CCD served as a model for subsequently formed BIDs in Philadelphia because its programmes were visible, it possessed considerable resources ("wherewithal"), and it was managed by a group of highly dedicated, creative, and charismatic professionals (Hoyt, 2008:120).<sup>9</sup>

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<sup>9</sup> SF: High-profile proponents / champions of the model

With the inception of the Municipal Property Rates Act, the City of Cape Town has started to move from the CID (City Improvement District) concept to the Special Rating Area (SRA) as per Section 22 of the Act (Rossouw, 2010).<sup>10</sup> According to Rossouw, the success of the CIDs/SRAs depend to a large degree on the ability of the manager of the Section 21 company that comes into place with the establishment of the CID/SRA. The mandate of these bodies are limited to the competencies of local government as described in schedule 4 and 5 of the SA Constitution, but within that mandate the competency of the manager is a determining factor in the success of the entity.

### 3.1.26 Tri-sector Partnerships

A tri-sector partnership is a PPP that also involves communities as an equal partner in the partnership. An international group called Business Partners for Development (BPD) has argued that strategic partnerships involving business, government and civil society<sup>11</sup> (part of the Third Sector defined earlier in this chapter) represent a successful “new model” for the development of communities around the world (Plummer, 2002:108). BPD seeks to demonstrate that partnerships among these three sectors can achieve more at the local level than any of the groups acting individually. There is a realization that among the three groups, perspectives and motivations vary widely and that reaching consensus would often prove difficult. Different work processes, methods of communication and approaches to decision-making are common obstacles.

*“But when tri-sector partnerships succeed, communities benefit, governments serve more effectively, and private enterprise profits. The result is a win-win-win situation”* (BPD, 2002, cited in Plummer, 2002:108).

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<sup>10</sup> SF: Competent, motivated management

<sup>11</sup> Civil society here is seen as a separate entity from the public (state) and private (market) sectors. The UN includes international NGOs, institutions, foundations, associations and Indigenous People’s Organizations in its collective term “Civil Society Organizations” (UN, 2009). Civil society can also include churches and trade unions (Baker, 2002:6) and voluntary and charity organizations (Rowe, 2006:209).

By pooling their unique assets and experience these tri-sector partnerships have the potential to provide mutual gains for all. Government can ensure the health of their citizens with safe water and effective sanitation, while apportioning the financial and technical burdens. Corporations can showcase good works while ensuring financial sustainability over the long term and communities can gain a real voice in their development (BPD, 2002, cited in Plummer, 2002:108). Focus projects listed by BPD are shown in the table below:

**Table 3-1: Focus Projects – Business Partners for Development**

Project description	Project location
Drinking water supply and sewer system	El Pozon quarter, Cartagena, Colombia
Water supply improvements	Marunda District, Jakarta, Indonesia
Restructuring public water service in shanty towns	Port-au-Prince, Haiti
Developing water supply and sanitation services for marginal urban populations	La Paz and El Alto, Bolivia
Innovative water solutions for underprivileged areas	Eastern Cape and Northern Province, South Africa
Management of water services	Durban and Pietermaritzburg, South Africa
Upgrade and expansion of local water networks	Dakar, Senegal

### 3.1.27 Franchise

Under franchise contracts, the public entity, normally a municipality, grants a private firm an exclusive right to provide a specific type of service within a specific area. Often used in solid waste, the franchise is similar to the lease but instead of leasing facilities and infrastructure, the operator is only given the right to deliver a service. This is often confined to a specified zone and constitutes a zonal monopoly for a fixed period of time (Plummer, 2002:184).

### 3.1.28 Public Sector Partnership

Public sector partnerships involve a partnering arrangement between public sector entities which could include city-city partnerships and twinning arrangements. One

example of a public sector partnership is a community safety partnership that existed between the then Durban Metro Council (South Africa) and Leeds City Council (UK). The project was funded through the Commonwealth Local Government Good Practice Scheme and was entitled 'Building effective community safety partnerships'. A similar partnership existed between the OR Tambo District Municipality in the Eastern Cape Province and the City of Cape Town.

### **3.1.29 Policy partnerships**

A public-private policy partnership can be seen as a formation of cooperative relationships between government, profit-making firms, and non-profit private organizations<sup>12</sup> to fulfil a policy function. Working together, they seek to meet the objectives of each while, hopefully, performing better than either one acting alone (Linder & Vaillancourt Rosenau, 2000:5–6). Among its advocates, partnerships represent the second generation of efforts to bring competitive market discipline to bear on government provision of goods and services. As distinct from the first generation of privatizing efforts, policy partnering involves a sharing of both responsibility and financial risk (Linder & Vaillancourt Rosenau, 2000:5–6; United Nations Development Programme, 1998). Rather than shrinking government in favour of private-sector activity through devolution of public responsibility, or other forms of load-shedding, in the best of situations, partnering institutionalizes collaborative arrangements where the differences between the sectors become blurred. Linder and Vaillancourt Rosenau (2000:6) however cautions against taking the policy partnership too far and turning a policymaking responsibility over to the private sector entirely. They argue, for example, that private prisons playing a role in policy-making on the discretionary use of force in the US may constitute too much of a delegation of the policymaking power that is usually reserved for government (Di Iulio, 1988; Starr, 1990).<sup>13</sup>

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<sup>12</sup> The use of the term non-profit private organization is interesting in this context as it implies that the organizations traditionally referred to as NGOs are actually part of the private sector and does not constitute a separate third sector – civil society. Also see the discussion on civil society in Chapter 2 and the discussion on the changing perceptions of “public” and “private” in the section on public governance in Chapter 3.

<sup>13</sup> SF: Policy-making powers should be delegated with care, if at all.



Partnerships are complex organizations, and they may include for-profit companies, private non-profit organizations (in a competitive environment or a monopoly situation), as well as public-sector non-profit organizations (government). Government contracting with private non-profit organizations is a form of partnership with advantages and disadvantages (Lovrich, 2000; Smith & Lipsky, 1992). Each involves different levels and types of conflict of interest and different ethical responsibilities. Ironically, there is a risk that these types of partnership involving private-non-profit relationships use so much social capital that it (social capital) will be exhausted<sup>14</sup> (Lovrich, 2000). Partnerships between the government and the non-profit sector may be less susceptible to some forms of conflicts of interest than the alternative of partnership between the for-profit private sector and government, but they still present problems (Linder & Vaillancourt Rosenau, 2000:6; Smith & Lipsky, 1992). Partnerships between government and for-profit enterprises have advantages and disadvantages. The private sector can often provide a service at less cost, but short-term savings can lead to increased costs in the long-run. For example, employees may not have pension plans when public institutions contract with private companies to provide services. This cost shifts back to the public sector years later if these employees end up on welfare when they are too old to work. The complexity of private-public policy partnerships is likely to be greater when the long-term view is taken into account (Linder & Vaillancourt Rosenau, 2000:6). The clear lesson is that the cost and benefit analysis of partnerships need to consider longer-term costs along with immediate costs.

Terminology is a significant problem when considering public-private policy partnerships. For some, partnering with for-profit organizations is just short of privatizing (Handler, 1996:11). For others, it means a shared commitment to agreed-upon goals that take shape in projects requiring financial investment and human capital of both partners. Such projects share risk, authority, responsibilities, and accountability between public and private partners (United Nations Development Programme, 1998). They involve the public and the private sector planning together

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<sup>14</sup> SF: Sufficient social capital within society to accommodate the social capital requirements of the partnership.

for mutual advantage (Linder & Vaillancourt Rosenau, 2000:6). Little agreement exists as to what “planning” means. For some, it may be implicit, informal, or even unintentional and accidental. For example James Dunn (2000) points out that partnerships, defined broadly, might even include the public development of roads through long-term investment, with the private partners being prudent motorists, truckers, and so forth. For others, partnerships require close, explicit, and formal cooperation between the public and private sectors involving more than using public money for private goods and services. In addition, there may be many different types of public-private policy partnerships in the same policy sector, even in the same institutions – for example, in the prison system one can pay private companies for incarcerating prisoners, and one can also partner in the sense of having other private firms set up production plants in a prison, where prisoners provide the labour (Linder & Vaillancourt Rosenau, 2000:6–7).

The distinctions between partnerships, public or private provision of services, and privatization can be understood in several different ways. A case can be made, for example, for generalizing the partnership notion to include almost any combination of public funding and private provision of services for public purposes. From this perspective, partnerships come in many forms and shapes, with new forms proliferating under governmental auspices (Muschell, 1995). The trend here is toward the inclusion of for-profit providers as contractual “partners” in the provision of human and non-defence public services, tasks once the exclusive preserve of government and non-profit providers. A number of authors prefer “partnership” to “privatization” since the latter is understood to exclude most forms of joint funding and provision and still retains an ideological connotation of being anti-government (Linder & Vaillancourt Rosenau, 2000:7). This could be seen as sugar-coating an indigestible truth, and many anti-privatisers in fact see very little difference between PPPs and privatization.

### **3.1.30 Technical assistance performance agreement**

The performance agreement concept has previously been successful in Swaziland, where the Water Services Corporation has a performance contract with government (in the form of the Public Enterprise Unit). This was a condition of a World Bank loan

for an urban development project, and DFID supported the TA (Technical Assistance) for the corporation. As long as the agreement is well drafted without areas for ambiguity, it provides the performance-based incentives normally associated with the private sector while leaving responsibility for achievement with the organization's own staff. This is more likely to contribute to the overall objective of sustainable development than the handing over of responsibility to an international company (Plummer, 2002:186).

### 3.1.31 Quangos

Yet another variation on the public-private partnerships theme with a very specific and even notorious name is the "Quango" or "Quasi- autonomous Non-Governmental organization". These organizations function in a kind of no-man's land between the public-, private- and civil sectors. Quangos have been the focus of much protest and ridicule, as illustrated in the following quote from the *Sunday Times* (UK) of 3 September 2006:

***Pay £180bn: you've been quangoed***

*When the autumn term starts this week the British Potato Council — annual budget: £6m — will be sending teams into schools to encourage children to sample crisps and eat chips. The BPC even has a dance troupe called the Chippie Dales.*

*To counter it, the Food Standards Agency — cost: £143m a year — will be campaigning to lower cholesterol and fight obesity which costs the country an estimated £7 billion a year. The organizations have conflicting agendas but both are quangos (quasi-autonomous non-governmental organizations) paid for in part by the taxpayer.*

(Chittenden & Bessaoud, 2006)

The Quango, at least in name, is indigenous to the UK. Similar agencies and bodies, called different names such as commissions, councils and boards exist in large numbers in many societies, including South Africa. A considerable number of these would qualify as PPPs as they perform some governmental function without truly being part of government, and are remunerated through a variety of levies, taxes and

government subsidies. South African examples include the Youth Commission, the Film and Publications Board, the Road Accident Fund and several others. This completes the detailed description of several partnership models. In the next section a comparison of certain contract types will be presented and the advisability of enforcing specific models of PPP will be discussed.

### 3.2 PARTNERSHIP CONTRACT TYPES

The table below describes some of the roles commonly prescribed to private business and municipalities in relation to service, management, lease, concession and BOT contracts. Plummer suggests that “Northern” advocates of PPPs specify particular requirements (or characteristics) for each contract type, but that analysis of existing contracts and arrangements in developing countries suggests that, in practice, these requirements are often relaxed. Arrangements are often hybrids of more than one contract type and the definition of contract type may vary (Plummer, 2002:184). In the South, where flexibility is paramount, it is more common to find that the definitions are indistinct and contract terminology varies, often within the same operating context (Plummer, 2002:184).

**Table 3-2: Partnership contract types with partner rights and duties**

	Service Contracts	Management contracts	Affermage / leases	BOT variants	Concessions
Asset ownership	Municipal	Municipal	Municipal	Private to municipal	Municipal
Capital investment finance	Municipal	Municipal	Municipal	Private	Private
Operating maintenance finance	Municipal	Municipal	Private	Private	Private
Tariff collection	Municipal	Municipal (or private)	Private	Municipal	Private
System operation	Municipal / and private	Private	Private	Private	Private

Some pertinent observations from the table:

- Investment by the private sector increases to the right;
- Risk allocated to the private sector increases to the right;
- The duration of the contract increases to the right;
- Tariff collection increasingly shifts to the private sector to the right of the table;

- Operation and management tasks increasingly shift to the private sector to the right of the table (Plummer, 2002:184).

Looking at this illustration brings the realization that it should not be surprising when many observers equate a move towards PPP as privatization. In the current PPP environment, an important question is whether or not predetermined contract forms are appropriate and whether the strong focus on the categories of contracts undermines the ability to craft partnership arrangements that meet local needs and constraints. Cases examined in South Africa illustrate the types of variations that are created in response to perceived requirements and contextual limitations:

- The Nelspruit concession, as it was envisaged, intended to draw on capital investments from the private sector, but by 2002 all finance had come from the Development Bank of Southern Africa.
- The Queenstown Concession did not include customer management. Tariff collection was carried out by the municipality as a part of a composite service tariff. The private operator and the municipality still called it a “concession”, but could it really be a performance-based management contract with a sizeable capital investment programme for a private firm?
- The Stutterheim Affermage – as it has been called – also did not include tariff collection. The municipality set and collected the tariff, but the operator funded all operation and maintenance costs. In this case the operator referred to the contract as an “affermage”, but Plummer questions whether it was not simply a management contract (Plummer, 2002:184; McDonald & Pape, 2002).

The clear message is that there is a wide variety of possible partnership models, and that it would not be productive to spend much energy on trying to containerize any specific partnership within any specific partnership type. The situation should rather dictate which partnership model or which combination of models should be used, if any at all. In the next section partnership structures and management will be analysed.

### **3.3 PARTNERSHIP STRUCTURES AND MANAGEMENT**

PPPs entail a significant change in roles for public and private entities. This has considerable governance implications. According to the World Bank (2008), a PPP requires a shift in the roles and attitudes of both the public and private partnering entities, moving away from the usual client-contractor approach and towards focusing on the core functions of supervision and regulation (for the public authorities), and assuming greater responsibilities and risks in execution, operation and the mobilization of resources (for the private sector). This change requires a transformation of the partners as some capacities of the public sector are transferred away to the private sector (World Bank, 2008). In this section the structures and management arrangements for partnerships will be described.

#### **3.3.1 Management arrangements in partnerships**

It should be recognized that there are both formal and informal management arrangements in most partnerships. In a survey of 10 partnerships by Creech and Paas for the IISD which was reported on in 2008, it was clear that there were informal aspects to most of the 10 partnerships (Creech & Paas, 2008:25, 31). It is therefore clear that not everything regarding the governance of partnerships is as well-documented as expected by the bodies that advocate PPPs. In the remainder of this section, management arrangements pertaining to risk management will be explored.

##### *3.3.1.1 Risk management*

It has already been stated that there seems to be a pre-occupation, at least on the side of the SA Treasury, with risk transfer from the public to the private sector in PPPs. It is therefore clear that risk management will be a central aspect of the management arrangements in many partnerships. Risk management is concerned with the assessment and quantification of risk and subsequent processes put in place to either avoid or reduce risk and to mitigate the effects of those risks which cannot be avoided or reduced. One of the options to reduce risk is to transfer it, and it is this risk transfer which is so important to the South African Treasury. Other risk management options include tolerance (if the risk is low enough), treatment (active measures to reduce risk – this is often the most significant element of risk

management), or termination (totally avoiding the risk by not continuing with the activity that creates the risk – this option is not always available in the delivery of public services).

Buisson (2006), focusing mainly on transport-related PPPs, is of the opinion that PPPs promote risk management by giving cities and authorities a clear vision of their future finances, as investment through PPP is spread over a long time through fixed annual contributions. Buisson (2006) also subscribes to the opinion of the many parties that believe that risk transfer is an important requirement of PPPs when he indicates that PPP means a risks transfer from the authority to the investor, who has to include it in its margin calculation. He argues that risk sharing (he does not refer to “transfer”) is probably the major issue of any PPP. While he believes that construction costs (for example on a surface-only light rail transport project) or maintenance costs should not be too contentious, he questions how risk will be shared, over a lengthy period, regarding passenger revenue, labour issues and run time achievement. He also indicates that operations issues are not to be underestimated, and insists that in order to secure a smooth execution of the contract during the concession period, it is most suitable to have a strong, professional operator playing a key role within a PPP consortium. The above points indicate that there are different types of risk that needs to be managed within PPPs and that some could be easier to first identify and then manage than others. Several sources indicate that a simple wholesale transfer of risk to the private sector is not the optimal solution because public sector players may be better suited to manage certain types of risk than are private sector players. Risk should reside where it can be best managed. Risk management will again be addressed in later chapters.

### **3.3.2 Roles in partnerships**

In this subsection certain specific roles in partnerships will be explored. The roles that are present in partnerships are not limited to a public sector partner and a private sector partner. The management of a PPP not only requires several roles within each partner, but also roles played by other stakeholders.

### 3.3.2.1 *Lead consultant / Transactional advisor*

A transaction advisor is a person or group of persons (firm or company or consortium) that either possesses or has access to professional expertise in financial analysis, economic analysis, legal analysis, environmental analysis, contract preparation, tender processing, as well as the relevant technical, cost estimating and communication skills. The transaction advisor assists in bringing a PPP project from the concept stage through public bidding and award to actual execution. Critics of the transactional adviser model could argue that the position creates yet another cost associated with establishing PPPs and therefore further reduces the possible profitability of PPPs while increasing their complexity. When the Greater Johannesburg Metropolitan Council adopted its IGOLI 2002 plan for restructuring municipal functions and determined that a private operator would be procured to manage and operate the new utility, the council recognized the importance of consultants and undertook an international procurement initiative to find suitable international experts to act as lead consultants for the water and sanitation restructuring process. The contract was won by a joint venture led by the Halcrow Group of the UK, with VKE Consulting Engineers and Malani Padayachi and Associates of South Africa. HKC Investments (financial analysts) and the Palmer Development Group (operations modelling) joined the lead consultancy team at a later stage.

The lead consultants' role included:

- Preparing the transition programme;
- Defining the role and terms of reference for other consultants;
- Assistance with procuring and managing consultants;
- Advising the transition manager on strategic issues;
- Designing the management contract;
- Managing the procurement process for the private operator;
- Preparing the bid data room;
- Preparing the pre-qualification shortlist and evaluating the bids;
- Operational and financial modelling, and feasibility analysis; and



- Preparing the initial business plan (Ricketson, 2002, cited in Plummer, 2002:110).

According to Ricketson (2002, cited in Plummer, 2002:110), positive lessons that can be taken from this example include the importance of leadership and a flexible approach from the council and the transition manager. Other positives include the fact that the lead consultant could act as a true advisor to the transition manager. The ongoing interaction between the lead consultant and the transition manager resulted in much greater ownership of the solutions by the council. The flexible terms of reference that recognized that the scope and extent of services was difficult to define at the start was a positive aspect which enabled flexible and efficient responses to events. Flexibility is required in putting together a team of experts. The full involvement of a project manager from the public sector is vital. A traditional consultancy approach, where the client organization must accept the team assembled by the winning consultant, was not followed (Ricketson, 2002, cited in Plummer, 2002:110).

The long duration of some partnership arrangements, such as concessions, suggest that it is pointless and overly ambitious to expect municipalities to develop in-house expertise in defining a partnership arrangement – especially if this process happens only every 20-30 years. Buying this expertise at key points in the process is more cost efficient, and allows municipalities to focus on developing in-house skills for other functions (Plummer, 2002:111). The presence of an independent consultant advising on the establishment of the partnership brings balance in expertise between the public sector and the private sector. The role of the consultant can be important to build the confidence of a council and task force to carry out their tasks and make decisions. The presence of an independent, donor-funded specialist has in the past been seen as an important mechanism for promoting transparency and assuring the public that the process did not involve corrupt practices (Plummer, 2002:111). The potential roles of advisors in the development of partnership arrangements will depend on the primary objectives established by the public sector organization. Some may, from the outset, appoint advisors to assist in the overall planning and development process. In addition, others may be appointed to advise on:

- Social issues (the capacity of poor consumers, impacts on workers, social impacts);
- Economic and regulatory issues (market structuring, promotion of competition, tariff design, regulatory mechanisms, monitoring, economic instruments);
- Legal issues (legislation and regulations, bidding documents, the drafting of contracts);
- Technical issues (assessments, specifications and contract requirements);
- Environmental issues;
- Financial issues (projections, bankability, documentation and sales promotion);
- The contract negotiation process (Plummer, 2002:113).

### *3.3.2.2 The public sector representative*

The inclusion of consultants in the process does not eliminate the fact that municipalities must develop a general level of awareness and understanding of partnerships and their implementation. Nor does the hiring of consultants remove the burden of management from municipal staff. The use of external expertise must be carefully planned, effectively coordinated and meaningfully absorbed into the decision-making process (Plummer, 2002:111). It is important that government structures build the capacity to effectively appoint and work with advisors. They must take responsibility for the selection by understanding which skills and experience they need (Plummer, 2002:113).

### *3.3.2.3 The potential roles of a municipality*

Municipal partners are in a unique position in partnership arrangements for service delivery. On the one hand they are very dependent on the private sector for investment, cost efficiencies and/or know-how, and on the community for its willingness to play the game, pay its tariffs and participate in operations and maintenance. On the other hand, as the initiators of potential partnerships, municipalities have enormous power. At the outset they are able to determine and direct strategy. They determine, for instance, the extent, nature and scope of the partnership, the actors involved, and the requirements for consultation and community participation. They determine how much of the service mandate to

delegate, for how long, in what manner and to whom. While the private sector inevitably builds a stronger presence, at the later stages the municipality oversees the implementation process. The municipality determines the requirements for expansion and service standards, and sets the initial agenda (Plummer, 2002:71). Municipalities behave very differently with different kinds of partners and thus assume very different roles in different service sectors. They exhibit much more self-assurance in working with private enterprise in low-technology activities such as solid waste handling or septic-tank cleaning than in network service arrangements such as water supply, where they often lack the confidence and skill needed to perform allocated roles (Plummer, 2002:71).

Roles that the public sector agency may need to play include:

- Strategic planning;
- Management and monitoring;
- Financing;
- Regulation;
- Coordination;
- Consultation and participation;
- Social guardian;
- Capacity building;
- Integration with public agency activities (Plummer, 2002:71–71).

#### *3.3.2.4 Donors in poverty-reduction focused partnerships*

Donors can provide funds for technical assistance. They can also perform gap-filling, where the competencies of the actors do not correspond with project objectives. Donors can provide general guidance on options, particularly in relation to poor areas and can assist with the definition and dissemination of best practice. Finally, donors can also facilitate new initiatives as a part of broader sectoral reform (Plummer, 2002:109).

### 3.3.2.5 Operator

The technical and managerial skills needed to provide urban services in terms of a PPP contract are not always found in the same firms that provide large amounts of investment capital, although many governments seek them in a package. This split between financing and operating skills introduces yet another party into the partnership arrangement – one whose needs also have to be met (Plummer, 2002:202).

### 3.3.2.6 Investor

Donors are related to but often not the same as international investors. International investment organizations can invest significant funds into major capital programmes and hope to profit from such investments or the loans that finance the investments. The Development Bank of Southern Africa (DBSA) is one possible investor, but sees itself as having triple roles of lender, advisor, and partner.

### 3.3.2.7 International Companies

Large international companies that become involved in PPPs may also be known as multinationals, transnationals and international corporations (Plummer, 2002:75). International private companies are usually engaged in municipal service provision because they can provide three types of resources:

- Professional management expertise in improving service efficiency and quality;
- Technical expertise, developed through international research and development, that a municipality (particularly a small municipality) cannot sustain; and
- Capital for investment in equipment and infrastructure costs (Plummer, 2002:75).

The table below further unpacks the components of the private sector (Plummer, 2002:74) and makes a distinction between large international companies and localized small to medium enterprises that also may become involved in PPPs.

**Table 3-3: Components of the private sector as they relate to formality and scale**

	Formal / large scale		Informal / Small scale
	International companies	National companies	Micro-enterprises Small-scale independent providers Informal providers
Competencies	<ul style="list-style-type: none"> <li>• Technical expertise</li> <li>• Financial resources</li> <li>• Management expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Technical expertise</li> <li>• Management expertise</li> <li>• National knowledge</li> <li>• Local legitimacy</li> </ul>	<ul style="list-style-type: none"> <li>• Local knowledge</li> <li>• Innovation with local resources</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>• Inflow of finances, skills and technologies</li> <li>• Managerial experience</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Building national capacity and expertise</li> <li>• Local networks</li> <li>• Government links</li> </ul>	<ul style="list-style-type: none"> <li>• Generating local socio-economic development impact</li> <li>• Creating community ownership</li> <li>• Powerful development impact if properly engaged</li> </ul>
Market interests	<ul style="list-style-type: none"> <li>• Large-scale projects</li> <li>• Market entry</li> <li>• Limited risk</li> </ul>	<ul style="list-style-type: none"> <li>• Medium-scale projects</li> <li>• Secondary cities</li> <li>• Working in consortia</li> </ul>	<ul style="list-style-type: none"> <li>• Filling gaps in service supply</li> <li>• Flexible commercial opportunities requiring limited investment</li> <li>• Relatively high risk, but small size</li> <li>• Poor households</li> <li>• Inaccessible, marginal areas</li> <li>• Peri-urban areas</li> </ul>
Service focus	<ul style="list-style-type: none"> <li>• Water supply</li> </ul>	<ul style="list-style-type: none"> <li>• Solid waste</li> <li>• Water supply in consortia</li> </ul>	<ul style="list-style-type: none"> <li>• Tertiary level: water supply, sanitation services, and solid waste collection</li> </ul>
Political issues	<ul style="list-style-type: none"> <li>• (Generally) outside the web of local politics: might be less corruptible</li> </ul>	<ul style="list-style-type: none"> <li>• Generally very dependent upon local politics and individuals</li> </ul>	<ul style="list-style-type: none"> <li>• Outside the political system and therefore less valued and less influential</li> </ul>
Other issues	<ul style="list-style-type: none"> <li>• Driven simply by contracts</li> <li>• Profits taken out of country</li> <li>• Inevitably promote an international culture</li> </ul>	<ul style="list-style-type: none"> <li>• Driven by national pride</li> <li>• Profits more likely to stay in country</li> <li>• Culturally more likely to support national values</li> </ul>	<ul style="list-style-type: none"> <li>• Driven by needs for personal income</li> <li>• Profits usually retained in community</li> <li>• More likely to meet very poor's requirements</li> </ul>

The objectives of water and sanitation multinationals show that international company mandates focus on business. Their main focus areas are consumer satisfaction, efficiency and environmental sustainability. The inclusion of environmental sustainability in their missions, according to Plummer (2002:77), is a reflection of their Northern roots. Plummer's contention in the table above that informal or small scale providers are outside the political system and is therefore less valued and is less must be questioned in the South African context. The researcher has personally

observed how informal traders that wanted to trade on the premises of the Cape Town Station during the 2010 FIFA World Cup™ exercised considerable political power. Queries from the traders through political channels resulted in a presidential query about the lack of facilities on the station for informal traders which in turned prompted the management of the station to embark on an emergency procurement project, rapidly establishing temporary trading areas at considerable cost. While this one example does not prove that strong political influence is a general characteristic of informal traders and small-scale providers, it does serve as an indication that considerable political power may be in the possession of small traders in the South African context.

#### *3.3.2.8 National business*

National business refers to bigger corporations operating at a national scale in a country. Involvement in non-exploitative partnerships clearly benefits national business. Not only are such partnerships lucrative (and present risks that are acceptable to international businesses), but the transfer of management know-how and environmental technology can be invaluable in preparing the national business for independent activities elsewhere. Governments often seize these advantages, and actively promote consortia that involve national companies as a strategy to build the capacity of their national business sectors (Plummer, 2002:83).

#### *3.3.2.9 Non-Governmental Organizations*

Non-governmental organizations (NGOs) are recognized as important partners in partnerships that require community involvement and participation. Plummer provides different options for the involvement of NGOs within PPPs, from no contractual agreement to a separate contract, a sub-contractor model, an NGO-community arrangement and a consortium model to a community-client model (Plummer, 2002:205–211). In each of these options the NGO plays a progressively more important role in the partnership.

### 3.3.2.10 *The Public*

PPPs are aimed at public service delivery and therefore the recipient or client or customer of the PPP should also be recognized as a role-player within a PPP. Plummer makes an interesting distinction regarding the role of the public in different types of service delivery models. Where government is the service provider, members of the public are the **beneficiaries**, while they become **customers** when the service delivery is done through a traditional PPP, and becomes **participants** where service delivery happens through a poverty-focused partnership (Plummer, 2002:114). It is however also true that clients or customers are participants and co-producers in the delivery of services.

### 3.3.2.11 *Network Government roles within the public sector*

The realization that moving the delivery of public services to private providers adds coordination complexity has prompted the growth of the idea of **network governance**. In their book *Governing by Network*, Goldsmith and Eggers (2004), describe what they believe is the new shape of the public sector. Their ideas and specifically the public sector skills required for this type of governance are discussed in further detail in Chapter 3 of this dissertation (see Section 4.2.3 on page 250). The contribution of Network Government as a concept closely related to partnership in this phase of the argument presented in this dissertation, is that at least five additional roles are identified which should be brought into consideration in designing the institutional arrangements for partnerships. These roles are those of Chief Relations Officer, the Network Manager, the Procurement Officer, “normal” public employees and government top management.

The **Chief Relationship Officer** seems to be a manager of a portfolio of partnerships, networks and similar contractual or non-contractual arrangements where third parties are involved in public service delivery. Exactly what this position should be called and where exactly in a public sector organization it should be placed, is perhaps less important than the functions it should fulfil – overseeing relationships, serving as a reality check on internal departments and agencies managing contracts, seeking opportunities to realize economies of scale and continually looking for opportunities to improve the performance of possibly many

contracts, partnerships and networks. A chief relationship officer could conduct performance and risk assessments to determine the adequacy of resources, personnel, procedures, monitoring systems and performance measures (Goldsmith & Eggers, 2004:162–164).

The **Network Manager** supervises day-to-day network (or partnership) activities and should ideally come from the department most intimately involved with the applicable mission – not a procurement division. This is because in a networked environment, contract and relationship management often amount to programme management, something which is not separate enough to offload to a different department. Officials should decide where contract management should be located based on the centrality of the work to the department or agency's mission, not whether contractors or government employees do the actual work. The network manager must manage partnership relationships, formulate feedback loops to get results, and monitor performance across both the public and private sectors – all at the same time. This is why Goldsmith and Eggers is of the opinion that the numerous potential minefields involved mean that even the best recruits might not excel at this job for several years (2004:164–166).

The **Procurement Officer** is the other prominent role-player from a network government perspective. Advocates of the network government paradigm argue that the most important requirement for a procurement officer traditionally was to know all the rules and follow them without deviation. Now, according to the network government movement, a strong knowledge of rules and processes no longer suffice and acquisition officers must be more than mere purchasers or process managers. As a US Defence Acquisition University director puts it in Goldsmith and Eggers (2004:167):

*Acquisition is no longer about managing supplies, it's about managing suppliers.*

Procurement officers operating within the network government milieu need to approach their work as a search for the right mix of components, harvesting ideas



from key players inside and outside government and making judgement calls every day in a constant effort to improve the situation (Goldsmith & Eggers; 2004:167).

The Chief Relations Officer, Network Manager and Procurement Officer occupy the space between top level public employees and the direct service provision staff at operational level. Network government also has implications for these two categories of role-player. The **New Governance Public Employee**, as Goldsmith and Eggers (2004:168) describe the “average public employee”, will, if their predictions come true, become endangered at the lowest operational level and will have to start steering instead of rowing – managing vendors instead of doing line-level work - at all higher levels. They are also not extremely positive about the future of public employees who cannot find their inner contract manager:

*Even with the best training, however, some [public] employees will be unable or unwilling to make the transition from doing the work themselves to ensuring that it gets done. In the long run, it is hard to see much of a role for such individuals in the new environment.*

As much as the public sector has often pessimistically been seen as a safe haven for inept individuals, this threat of cleaning the decks of the networking-impaired, seems a bit harsh from a Southern / Developing World perspective. Surely the extent to which a society has adopted the private provision of public services would dictate the extent to which network governance is required. While the predictions of Goldsmith and Eggers may apply to countries such as the US and UK that are further down the road that meanders toward extensive privatization and wholesale network governance, there may still be room for the type of employee that Goldsmith and Eggers would encourage to walk the plank – the not-so-new-governance public employee. The main concern with the argument that direct service delivery public employees will vanish in a puff of third party service delivery is the question of who will be left to do the work if everyone becomes a manager – who will row if everyone is steering? The immediate answer, from the network governance enthusiasts, would be private contractors, but it can be argued that even in the purportedly highly evolved public sectors of countries such as the UK and US, there will necessarily still be public work that cannot be done by a contractor. What exactly will remain in the

public domain of delivery in a specific country will certainly depend on the policies of the government of the day and could fluctuate over time.

This long-winded criticism of the assumptions (however informed) of the proponents of network governance should not be seen as criticism of the idea that public workers could benefit from networking practice. The purpose of the criticism is rather to bring balance to an argument made from the perspective of a developed country with the confident predictions of writers whose experience and ideas are perhaps not as globally applicable as their tone (even if unintentionally) suggests. Writing from an African and South African perspective, the researcher would encourage the adoption of the principles of network governance, but would caution against the uncritical transfer of the predictions of the degree to which third party provision of public services will expand. More time is spent on the skills required from public employees in network governance in Chapter 4 (see page 248). The decision on if and how the private sector will be involved in public service delivery, as well as the decision on who in the private sector would be acceptable as public service provider, will largely fall within the responsibility of the last network governance role-player that will be discussed in this section – government top management.

**Government CEO** is the name that Goldsmith and Eggers (2004:159) gives to government departments' top management. Possible variations on this title include cabinet secretary, agency director, chief operating officer, municipal manager and head of department. It is the incumbents of these positions that will have the responsibility, authority and accountability to make decisions on the manner in which those public services, for which the applicable organ of state is responsible, will be delivered. From the vantage point afforded to strategic management, top-level officials can assess the public value and, if it is sensible, look outside the public sector to identify other mechanisms or organizations they can involve in enhancing public value. Leaders must keep the agency's outcome-focused goals foremost and focus on the "product" rather than the "process. They must fulfil the agency's mission through the best means possible. Talented leaders must understand not only how to address the make-or-buy decision, but how to bring others with needed capabilities and resources into the supply chain (Goldsmith & Eggers, 2004:160).

Most elected public leaders, in contrast with their managers, already spend most of their time looking outside the organization. They can leverage these external duties to expand both their knowledge of what others are doing in similar areas and of the interest of other groups in partnering with government (Goldsmith & Eggers, 2004:161). Executive attention in government still typically focuses on providing political or stakeholder support for existing governmental structures and putting out related fires. Precious little time is spent supervising and fostering partnership arrangements. Contract management has been pushed down the organization and does not get the attention it deserves (Goldsmith & Eggers, 2004:162). This concludes the discussion on the roles involved in network governance in this subsection as well as the roles involved in partnerships in general in this section. The next section of this chapter will be committed to the barriers that exist to partnership.

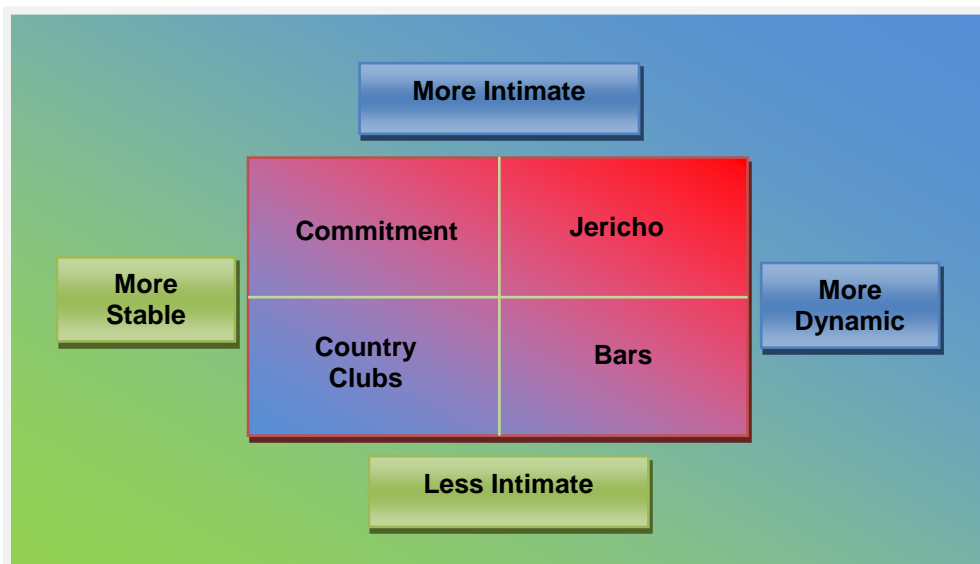


Figure 3.1: Welborn and Kasten's Zones of the Collaborative Landscape

### 3.4 BARRIERS TO PARTNERSHIP

While partnerships and more specifically PPPs have a large support base, there are still certain barriers that keep organizations from going down the partnership route, even if they see the option as attractive. These barriers, identified by McQuaid (2000:22–25), include organizational, legal / technical and political barriers. Hodges (2003) mentions political opposition, the inability or lack of interest of the private companies in providing services at affordable prices and the insufficiency of local

private sector management skills to provide services effectively and efficiently as factors in a strong opposition that exists to the increased use of the private sector to provide public services.

Organizational barriers include differing missions, different professional orientations, different structures and adherence to different processes. A partnership, depending on its configuration and governance arrangements, could require varying degrees of interaction between the partnering organizations. Even the least interactive arrangement will however still require considerable inter-organizational contact and such contact will suffer if there are fundamental differences between the partnering organizations. Differing missions will leave little common ground on which to base a partnership and could mean that there is little or no room for mutually beneficial cooperation. A highly formalized hierarchical organization with a professional orientation focused on production might experience difficulty in collaborating with an unstructured and informal organization focused on individual identity and creativity. An organization structured on the basis of geographical regions and product units might not know at which level or in what area to interact with its partner organization which is structured according to client sectors and operates over different geographic regions. Differences in management levels and designations or titles can complicate matters further. The processes used in manufacturing a tangible product might be difficult to reconcile with the processes involved in producing an intangible service, and highly regulated processes in one organization could conflict with unwritten processes in its partner organization.

Legislation might reduce the opportunity for partnership or even discourage it, either through making the formation of partnerships technically challenging, or by limiting the scope for partnership. Legal and technical barriers such as statutes or regulations set down by higher authority could restrict partnership options. Technical barriers could include situations where staff from an organization with low levels of technological sophistication may feel uncomfortable working with highly specialized technicians and scientists, and vice versa. Even the technical systems in use within partnering organizations could make it difficult for them to collaborate if the systems are incompatible. This is illustrated by the frustration experienced when two organizations using different office software packages try to share electronic

documents, or even more practically and mundane, when fire services from different jurisdictions try to work together but their hose couplings are not compatible.<sup>15</sup>

Political barriers can also reduce the availability or appeal of the partnership option (Hodges, 2003). According to McQuaid (2000:22–25) both the external political environment and internal bureaucracy politics can hamper partnership efforts. The external political environment could include barriers such as the deep distrust in the private sector that can exist in socialist countries or affiliations between a government and certain financial centres of power that exclude non-affiliated private entrepreneurs from any relationship with the public sector. The political-economic philosophy and policies to which a government subscribes will determine whether such a government would support the notion of PPP (see discussion on fascism from page 34). Internal bureaucratic politics which could hamper partnership relates to the discussions on power in the next section on the negative aspects of partnerships. In short, power struggles inside an organization could prompt persons to block attempts to form partnerships due to a myriad of possible personal reasons.<sup>16</sup> The inability or lack of interest of the private sector to deliver services at the lower prices that can be demanded by either government or users, can pose an additional barrier to partnership (Hodges, 2003). The possible inability of the private sector could be related to the fact that a private company would want to make some kind of profit from delivering a service, while the prices that can be charged for a specific service may not provide for a sufficient profit margin above production costs to make it worthwhile for the private company. Private companies could have a lack of interest in getting involved in partnerships due to the low or non-existent profit margin.<sup>17</sup>

Insufficiency of local private sector management skills will pose a further barrier to partnership (Hodges, 2003). The PPP model relies on a private sector that is able to make a meaningful contribution and deliver services effectively and efficiently – preferably more so than the public sector can. There is a built-in assumption in the

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<sup>15</sup> SF: Supportive legal environment. Compatible procedures and systems and levels of technical expertise.

<sup>16</sup> SF: Favourable internal and external political environment; Common ground in terms of political doctrine; Absence of obstructive gatekeepers and allegiances.

<sup>17</sup> SF: Price flexibility from private partner, profit potential for private sector.

PPP model that management skills in the private sector are superior to management skills in the public sector (see section 2.5, page 83, on the reasons for partnering). This assumption is slightly insulting to all public managers and cannot be accepted as a rule of thumb because it is possible that the skills set and education in the private sector in a given area may be inferior to that of the public sector in the same area. If universities and their related research bodies are seen as part of the public sector, as they are in South Africa, a university town may be an example of a situation where the private sector may have insufficient skills to make a pivotal, irreplaceable and meaningful contribution to a partnership. This could also be the case where government has invested heavily in creating specialized skill sets.

This barrier to partnership has another side to it, because if the private sector has fewer skills in a specific area than the private sector, the private entity might be especially interested in partnering with the public sector and thus achieve skills transfer through a parasitic relationship.<sup>18</sup> Property and business owners are sometimes unable to establish BIDs in cities, even though the enabling legislation exists, for the following reasons: they find themselves without the leadership necessary to formulate a collective vision for the area; they lack the financial wherewithal necessary to operate a BID; or they face opposition from a significant proportion of the local property and business owners. Sudden shifts in political leadership may also prevent policy implementation (Hoyt, 2008:124). The barriers to partnership mentioned in this section should be kept in mind when deciding on a service delivery mechanism where partnership is an option, which is why critical success factors for PPPs could be derived from some of the barriers.<sup>19</sup> A public sector entity's capacity to participate in partnerships is determined by individual, municipal, partnership and external constraints which include:

- Overly bureaucratic procedures, inappropriate to partnerships;
- Inadequate skills and managerial capacity;
- Inappropriate political interference;
- Resistance to change;

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<sup>18</sup> SF: Skills transfer possible from public to private sector.

<sup>19</sup> SF: Leadership, financial capacity, support of stakeholders, stable political leadership.

- Inter-departmental competition;
- Inappropriate incentive structures; and
- Mistrust and scepticism over private sector incentives and NGO approaches (Plummer, 2002:73)<sup>20</sup>

Language can also be a stumbling block in the way of a smoothly functioning partnership. Language barriers became apparent during the Gautrain project. There are many nationalities involved in the Gautrain project and the personnel responsible for emergency planning found language a real barrier when speaking to French engineers (Deiner, 2008).<sup>21</sup> Another possible expression of negativity towards partnership, as evidenced in the UK, is a silent resistance against partnerships, despite the maintenance of a façade of partnership. In such a situation the language used by those who resist the partnership has changed, but beneath the façade, there is much that has remained the same (Rowe, 2006:210). Reasons for this will be illuminated in the next paragraph.

First, there was “a genuine confusion” about the idea of governance at a local level in the UK, particularly with respect to how the numerous elements of the Local Government Modernization Agenda fit in with elements of the Neighbourhood Renewal Strategy. Rowe alleges that it is not clear whether the connections were elucidated at national level and that at times guidance seemed to conflict. As an example, he reflects on the possible ill fit between “strong local leadership” and “empowerment and partnership”.<sup>22</sup> He describes how this resulted in uncoordinated and unconnected strands of governance at local level (Rowe, 2006:210). Secondly, public agencies often lack an understanding of and capacity to engage in dialogue with their own frontline staff as well as audiences beyond the public sector – particularly excluded communities but also the voluntary and small business sector.<sup>23</sup> Nor is there an understanding that the culture of public agencies needs to change in

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<sup>20</sup> SF: Streamlined, appropriate procedures; adequate skills and managerial capacity; appropriate levels of political involvement; effective change management; inter-departmental cooperation; appropriate incentive structures; public sector understanding of private sector incentives and NGO approaches.

<sup>21</sup> SF: Effective communication across barriers such as language.

<sup>22</sup> SF: Enabling and coordinated legislative and policy environment.

<sup>23</sup> SF: Understanding of and capacity for engagement with external and internal stakeholders.

order to effectively engage in working partnerships<sup>24</sup> (Rowe, 2006:210). For many local authorities, consultation elicits the usual list of complaints, so they begin to question the value of consultation. For others, community forums are dominated by the “usual suspects”, each with a particular axe to grind. This is certainly the case in one South African community forum which the researcher has personal experience of - the Koeberg Public Safety Information Forum, a body whose existence is a condition of the nuclear power reactor operating license granted to Eskom by the National Nuclear Regulator. Over a period of several years the forum, which includes the operator, the local authority, the regulator as well as the residents living within 16km of the Koeberg Nuclear Power Station, seemed to go through a cycle of re-addressing the same issues raised by the same individuals. In this context, it is “unsurprising”, according to Rowe, to find public authorities avoiding and ignoring consultation or, in some cases, manipulating it (Rowe, 2006:210).<sup>25</sup> Thirdly, even where there is evidence that public agencies understand the policy, there may be significant reluctance to genuinely engage with it. For many agencies at a local level, partnerships are not about the sharing of power. Instead, they are more concerned with the presentation of change in order to secure additional funding. “Shopfront partnerships”, dominated by one of the main public agencies, often the local authority, present all the trappings of engaging excluded voices while relinquishing little power (Rowe, 2006:210).<sup>26</sup>

In recent years increasing dependencies between public and private organizations have lead to a growing need for public-private partnerships. However, cultural and institutional differences<sup>27</sup> between the public and private domain and, in addition, the difficulties of bringing the two together, constitute a serious threat to successful public-private partnership. The formation of these partnerships is further hindered by confusion of the concept of public-private partnership.<sup>28</sup> The predominant model of contracting out restricts rather than enhances public-private interaction (Van Ham &

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<sup>24</sup> SF: Organizational culture must be receptive for partnership.

<sup>25</sup> SF: Honest, positive, transparent and constructive consultation with stakeholders

<sup>26</sup> SF: Genuine engagement with policies promoting partnership; Equality within partnership; Real engagement of excluded voices; Power sharing

<sup>27</sup> SF: Overcoming cultural and institutional differences; Bringing partners “together”

<sup>28</sup> SF: A common understanding of the concept of public-private partnership.



Koppenjan, 2001).<sup>29</sup> In the next section some of the possible negative aspects of the partnership model and PPPs will be discussed.

### **3.5 NEGATIVE ASPECTS OF PARTNERSHIP**

One could easily accept that the records that have been built up on partnerships could have different points of departure. Firstly, parties positively involved in partnerships or hopeful to become involved in partnerships would be oriented towards success. They would not easily discuss and analyse partnerships that have failed in any detail and would not readily point out the possible negative aspects of partnerships. Secondly, those who have philosophical or principle or political objections to partnerships would seek confirmation for their attitudes and /or opinions by actively looking for failed partnerships. Their analyses of such failed partnerships would not be with the aim of improving future partnerships but rather with the goal of discrediting a particular partnership or partnerships as a concept. The results of their analyses could thus be subjective and would not be very useful in trying to get a balanced view on factors that affect the success of partnerships. It would however be irresponsible to ignore negative commentary on partnerships and in this section such aspects will be presented and evaluated with a view to extracting salient points on aspects that could affect the viability of PPPs.

#### **3.5.1 Partnership is not always the best solution**

One of the first negative aspects of partnerships to consider is that a partnership is not always a better solution than the public provision of services. In the opinion of Linder and Vaillancourt Rosenau, reflecting on partnerships as a form of privatization in 2000:

*An unequivocal commitment to privatization in all circumstances may be too great a reaction to poor performance of the public sector and too naïve a trust in the private sector. The private sector brings attributes that mollify some, but not all, of the public sector's weaknesses. There are policy areas where*

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<sup>29</sup> SF: Supportive models of public-private interaction.

*weaknesses are simply structural and contextual, inherent in the act of providing a public service (Linder and Vaillancourt Rosenau, 2000:5).*

They argue that in these cases it makes little difference whether the public sector or private sector provides the service, whether alone or in a partnership. They state that the private sector has incentives to increase services and expand the need for its product just as public sector government bureaucracy does. Citing Schneider (2000), they state that:

*It should be no surprise, then, if private prisons don't have effective rehabilitation programmes, or if they lobby for increasingly long prison terms. It is human nature, in both the private and public sector, to seek to increase demand for whatever one is providing (Linder and Vaillancourt Rosenau 2000:6).*

The opinion that partnership is not always the best solution for public service delivery makes sense. In the opinion of the researcher, partnership can never be the magic recipe that solves all service delivery problems. It is quite obvious that there will be circumstances under which partnerships will simply not work or could never hope to be more efficient than the provision of public services by other means. It is the intent of this dissertation to give some advice on when a PPP would be an appropriate service delivery mechanism, and to identify some critical success factors that would make a partnership more viable. The warning issued by Linder and Vaillancourt Rosenau above confirms that partnerships should not be embarked on without due regard being paid to the questions of whether a partnership would be an appropriate delivery mechanism for the public service concerned. The first point of learning in this section, then, which can also be seen as a critical success factor for PPPs, is that the appropriateness of a partnership as service delivery mechanism for the public service concerned should be investigated before commencement of the partnership.<sup>30</sup> The basic question that would need to be asked is: Can this service be delivered more efficiently and effectively by any other means? If the answer to

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<sup>30</sup> SF: The service involved is appropriate for delivery through partnership

this question is positive, partnership should not be considered as service delivery mechanism, except if some other very important social benefit will be leveraged through the partnership.<sup>31</sup>

### **3.5.2 Unclear goals**

Unclear goals and a lack of specifics in strategies and plans may constrict a partnership (McQuaid, 2000:22–25), but unclear goals and non-specific strategies cannot said to be particular to PPPs. Commentators may feel that partnerships are more prone to this affliction, possibly due to either potential conflict between the goals of the parties constituting the partnership or communication problems due to increased complexity. Unclear goals can be seen as something to avoid in constructing a partnership rather than a consistently negative aspect of all partnerships.<sup>32</sup>

### **3.5.3 High resource costs**

Partnerships have been criticized for high resource cost, partly because of the possible duplication or overlap between partners. The added complexity of a partnership may also contribute to extra costs due to the need for additional coordination activities and the additional time required to make decisions. These factors will however be highly dependent on the specific structure and governance arrangements of the partnership. If resource costs are in fact higher for a partnership, it may still create more benefits than the partners could create independently. The full social costs of the partnership, McQuaid (2000:22–25) argues, need to be aggregated and compared with the full social benefits of the partnership, rather than each partner focusing upon its own costs and benefits. Although resource costs and keeping such costs low will remain a challenge for all types of organizations, high resource cost is a potential stumbling block that has specific relevance to partnerships and will need to be targeted actively to increase the viability of a

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<sup>31</sup> SF: Improved effectiveness and efficiency or achievement of an important social benefit.

<sup>32</sup> SF: Clear, agreed goals

partnership. It is worth noting that more expensive resources could also be more productive in creating value.<sup>33</sup>

### 3.5.4 Unequal power

The potentially unequal power distribution between partners in a partnership has been indicated as a negative aspect of partnership. McQuaid (2000:22–25) points out that representatives of a partner organization doing on-the-ground project implementation could suffer from a lack of voice and choice compared to well-resourced individuals working at a strategic level in a more powerful partner organization. McQuaid is quick to add that he does not believe that an equal distribution of power would necessarily be a better solution. Such a position may slow down decision-making and make it difficult to arrive at a clear resolution of power for decision-making within a partnership. Without digressing into a lengthy discussion of decision-making and problem-solving theory, it can be accepted that there is merit in applying lessons from these fields to improve the governance of partnerships. A few salient points on power and decision-making, supported by McQuaid, can be made at this stage. Decision-making in a partnership should be consensual.<sup>34</sup> Other models of decision-making in partnerships, such as majority voting or a system of votes being assigned asymmetrically to partners, can only create conflict. Slow decision-making can be avoided through prior agreement and assignment of specific decision-making powers.<sup>35</sup> Unequal power distribution occurs naturally inside most organizations and is not considered as a serious problem in most types of organizations. A concern with balancing power is therefore more specific to partnership governance than to normal organizational management and will need to be addressed if a partnership is to be successful.<sup>36</sup> Rowe (2006:210) illustrates how the “Accountable Body”, responsible in UK local regeneration partnerships for ensuring financial probity, has been misused by public managers to control partnerships through its financing. The Accounting Body can influence and veto spending decisions, and can strangle initiative with rules while awarding

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<sup>33</sup> SF: Reasonable resource costs with comprehensive all-stakeholder calculation of total benefit

<sup>34</sup> SF: Consensual decision-making

<sup>35</sup> SF: Clear assignment of specific decision-making powers.

<sup>36</sup> SF: Balancing of power

resources to agencies able to meet their stringent requirements, thus distorting the practice of partnerships. A related if not perfectly similar example is the control of expenditure by the Ukuvuka campaign which was controlled by a board dominated by some partners while other partners were weakly represented. The Ukuvuka campaign is discussed in more detail in Chapter 5.

### **3.5.5 Significant investments in time and energy**

Even where there is genuine commitment to the idea of partnership, it requires a significant investment of energy and time, often for relatively meagre returns in terms of financial resources. At the first sign of difficulty, it is easier to argue for an end to genuine partnership than it is to struggle to make it work with all the investment, on the part of all sectors and individuals concerned, that that entails (Rowe, 2006:211).<sup>37</sup>

### **3.5.6 Cliques usurping power**

If decision-making is not well-defined beforehand, if communication is not optimal and if power is not properly balanced, McQuaid (2000:22–25) argues, it would be possible for a particular grouping within a partnership to push the partnership into a specific direction out of self-interest or due to group-think or other precursors of sub-optimal decision-making. Such a grouping could usurp power, hijack the partnership and steer it away from its original goals. It would be difficult to objectively identify cases of clique-based versus normal decision-making. One could however assume that the usurping of power by a clique would coincide with a drop in consensual decision-making and increasing dissatisfaction, among certain partners, with decisions made. Strategies to avoid the usurping of power would have to include formalising decision-making to ensure that it is inclusive and consensual, and efforts to balance power and representivity. In as far as clique-forming could shipwreck a partnership, the measures already mentioned in section 3.5.4 could mitigate its effect and make a partnership more viable.<sup>38</sup>

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<sup>37</sup> SF: Willingness to invest time and effort

<sup>38</sup> SF: Balanced power and representivity; Formalized inclusive and consensual decision-making

### **3.5.7 Misuse of partnerships to avoid organizational change**

Partnering can be used as an alternative to far-reaching organizational change, resulting in a change in the way business is done without a corresponding internal change in a partnering organization. The unchanged structure can then be circumvented and may become irrelevant and lose purpose even if it is not dismantled. Duplication could then occur as both an internal and an external structure exists to deliver a service, with the internal structure being ignored in favour of the external structure (McQuaid, 2000:22–25). A public sector organization could employ such a strategy to avoid or delay clashes with labour regarding restructuring. Under such circumstances, if the purpose of the partnership in the first place is purely to circumvent then at least the partnership achieved its purpose, whether that purpose is commendable or not. On a more positive note, a partnership could be formed not as a means to avoid organizational change but rather as a precursor or even trial for organizational change and as an instrument for cutting through inefficient bureaucracy. The motive behind partnership could therefore be noble or nefarious. The use of an instrument for a negative purpose does of course not mean that the same instrument cannot be used for positive purposes, and this dissertation is focused on ways of creating successful partnerships with positive outcomes. The instrument itself cannot be blamed for its negative use. It is the opinion of the writer that a well-run partnership with negative objectives and outcomes should not be considered to be a successful PPP because any PPP should have positive social impact or public good as a basic non-negotiable principle. Consider for one moment the implications of calling a criminal and unethical partnership between a corrupt government, a crime syndicate and a multinational corporation that manufactures and distributes narcotics, a successful partnership. The requirement for positive purpose will be one of the critical success factors that can now already be defined.<sup>39</sup>

### **3.5.8 Diversion of resources**

A partnership can have an impact on other services when it is used to divert resources from existing departments where it is not needed or where funds are not

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<sup>39</sup> SF: A focus on positive goals, positive social impact and public good.

efficiently utilized (McQuaid,2000:22–25). This diversion of resources could be with good intent and the use of the partnership positive, or the diversion of resources could harm the public good and make the use of partnership negative. On the one hand the ability of partnerships to channel resources is a tribute to the flexibility that partnerships can provide; on the other hand the flexibility could be misused for criminal or harmful motive. The diversion of resources through partnership into non-productive activities should be limited while the diversion of resources away from non-productive activities should be encouraged. What measures can be instituted to ensure that if resources are diverted it is done to improve service delivery? The test would be whether the resources are being used more productively after the diversion than before the diversion.<sup>40</sup> Related to the issue of the diversion of resources is the accusation against one specific type of partnership – business improvement districts (BIDs) – that *private* agendas can be pursued with *public* funds. Because BIDs use property taxes generated within a specified district for infrastructure and services there, they are arguably a more efficient means of taxing and spending than the normal budgeting process. However, in some cases these districts also operate as quasi-governmental taxing bodies, or “micropoli,” without the traditional means of public oversight. Although BID decision makers in some countries, like the US, are political appointees, taxpayers and local governments often have little control over how BIDs spend mandated tax revenues. Some commentators are therefore suspicious about the lack of accountability in BIDs (Caruso & Weber, 2008:325).

Performance measures are one of the few mechanisms available to ensure that these semi-autonomous enclaves create actual public benefits, benefits that are generally accessible and distributed among a wider public, benefiting more than the few merchants based in the BID’s geographical area. Performance measures can be seen as a way of reigning in the power of these quasi-private structures while also permitting a continued reliance on this more privatized provision of public goods (Caruso & Weber, 2008:325).<sup>41</sup> One could understand that a private sector entity paying more tax on a voluntary basis would want to see some return on investment

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<sup>40</sup> SF: Increased effectiveness in use of resources

<sup>41</sup> SF: Effective performance management

and may frown upon local government agonising about how to control the spending of tax money it was not going to receive anyway. Concern about the possible diversion of resources remains a valid concern.

### **3.5.9 Difference in philosophy among partners**

A possible negative aspect of partnership identified by McQuaid (2000:22–25) is that partners may have divergent philosophies which would then presumably reduce the viability of such a partnership. The Mvula trust, an NGO involved in partnerships with private companies, expressed a sympathetic opinion in 2002 when it remarked that the results-driven approach of private partners working on improvements in poor areas is frequently at odds with the work of NGOs in mobilizing and strengthening communities to take on operational and maintenance roles. “We often find that we are aiming for effectiveness while the hard-nosed private representatives (to varying degrees) are striving for efficiency” (Plummer, 2002:24). In this specific example, the private partners unfamiliar with poverty-related service improvements were accused of not always grasping the need for social development inputs, or the need to build trust and commitment with communities through participatory processes. The NGO partner had no such difficulty and also argued that many private partners did not display the flexibility and technical knowledge for service options that benefit poor customers. The Mvula Trust opined that private partners would still like to see a supply-led approach adopted, despite the terms of reference which as read by the NGO, had different objectives (Plummer, 2002:24). The questions to ask in terms of the aim of this dissertation, which is to determine critical success factors for public-private partnerships, is whether a difference in philosophy among partners would negatively impact on the viability of a partnership. The fact that the term “Public-Private Partnership” already contains reference to two different philosophies – public service versus private entrepreneurship - brings one to realize that in partnerships a difference in philosophy between partners may be the rule more than the exception. A difference in philosophy will be part of the landscape most partnerships will need to navigate and can therefore not be seen as a critical determining factor in the success or failure of a partnership. While aligned philosophies may be beneficial, differing



philosophies is not seen as overly negative or crippling. The test would be whether the partners can work together despite differences in philosophy.<sup>42</sup>

### **3.5.10 Access to information**

While there is a need (in democratic states) for public openness about public sector projects, the private sector may be less than eager to share information about their operations, especially where intellectual property and trade secrets are concerned. The need of private institutions to protect themselves brings a negative aspect of partnerships to the fore because the competitive nature of the private sector might work against the publication of quality commentaries on the success of public/private partnerships. This can make it difficult to make objective comparisons between partnerships – as is required for the aim of this dissertation, for example. Adding to the complexity of the access to information problem is that, with the many role-players involved in partnerships and the high level of communication required, many possibilities exist for misinformation or confusion. Although the awarding of contracts and the formation of a partnership might be transparent and open to the normal scrutiny afforded to public accounts, the operation of the partnership might be less transparent as private partners will tend to protect their interests. This translates into limited information on best practice as well as mistakes made, which may not affect the success of the partnership itself but may have a bearing on the success of future partnerships which could have benefited from the experience gained in earlier partnerships.<sup>43</sup> Where organizations do research on how well the PPPs they are involved in are doing, they do so out of self-interest and may not share the results because they see such intelligence as their own competitive advantage.

### **3.5.11 Additional challenges**

In this subsection some additional challenges for partnerships are discussed in brief. According to a study by the South African Institute of International Affairs issued in 2005, about 600 million people in sub-Saharan Africa lacked access to electricity, about 300 million had no access to safe water, and there were just eight telephones -

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<sup>42</sup> SF: Overcoming potential conflict caused by differences in philosophy

<sup>43</sup> SF: Access to learning experiences from other partnerships.

either cell phone or fixed-line - per 100 inhabitants. The report acknowledged successes achieved by PPPs in sectors such as telecommunications, transport, ports and eco-tourism, but said that much still needed to be done to hone an effective partnership model in water and electricity provision (Phasiwe, 2005). The author of the report, Peter Farlam, said that governments chose public-private partnerships as an alternative to full privatization, which had politically contentious aspects. He warned, however, that these partnerships were complex, and that governments should not expect them to be a "magic bullet". "The private sector is not always more efficient, and the service provision is often more expensive to the consumer," said Farlam (Phasiwe, 2005). It has been said that insufficient attention to the challenges of highly integrated public / private-sector infrastructure partnerships has led to uncritical enthusiasm for them, and that the efficiency gains from private-sector infrastructure development can be offset by faulty selection processes or contractual arrangements.<sup>44</sup> It is also believed that severe contracting problems are posed by government being a party to the infrastructure arrangement (Daniels & Trebilcock, 2000:94).<sup>45</sup> Labour organizations traditionally object to privatization and most see PPPs as veiled privatization. The Congress of South African Trade Unions (Cosatu), which describes public-private partnerships as "a form of privatization", have opined that private sector participation should not replace government, but should complement government capacity. Cosatu economist Neva Makgetla has said that private-sector contractors often lied about their capacity to deliver, especially to poor areas. Makgetla said private delivery "is fine where it will not compromise development aims" (Phasiwe, 2005). Whether the support of labour organizations is required to make successful partnership possible would depend on the labour-intensiveness of the proposed project, the strength of labour organizations in the specific context, and the labour legislation governing the specific project. It is conceivable that in some situations a project could go ahead and be successful despite labour organization opposition, while, in different circumstances, such a project would never be approved. The rule of thumb would be to seek support from labour organizations, but as indicated previously most labour organizations are

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<sup>44</sup> SF: Effective partner selection processes and contractual arrangements

<sup>45</sup> SF: Address possible contracting problems emanating from government being a party to infrastructure arrangements.

opposed to privatizations in principle, and sees partnership as a vehicle for privatization. The influence of the partnership on job creation and security would be an important determining factor for labour organization support of partnerships, and should therefore be well-articulated when seeking labour support for a project. The potential losses or gains in membership numbers could also influence the decision-making of labour organizations on supporting or opposing a specific project.<sup>46</sup>

In the South African context, partnerships are confronted with the additional complication of having to contribute to black economic empowerment. Kogan Pillay, of the national treasury's public-private partnership unit, has indicated that black economic empowerment was a prerequisite for all companies bidding for government tenders (Phasiwe, 2005).<sup>47</sup> In 2004, the then South African Finance Minister Trevor Manuel called on the private sector to partner government to fund infrastructure projects and fast-track the delivery of key services to the poor. The partnerships would involve locking in long-term collaboration between parties to share the cost, rewards and risks of projects. Manuel said government's policy was to use "diverse sources of funding" to meet SA's infrastructure and service delivery needs. Some of the big projects which would require private sector participation included the proposed R7bn Gautrain Rapid Rail Link project, the R2.5bn Dube Trade Port which incorporates the King Shaka International Airport in Durban, and the building of schools and hospitals across the country (Phasiwe, 2005). Such a call illustrates a government commitment to partnership which signifies a supporting environment for partnerships. It is interesting to note that in 2010 the new airport opened in Durban, and the Gautrain project's first phase was completed with trains now regularly running between OR Tambo International Airport and Sandton.<sup>48</sup> Complexity embodies another challenge for partnerships. Experience has shown that the complexity of managing a large consortium can become a distraction to an operator. For this reason an RfQ (Request for Qualification) document issued for a PPP in Johannesburg limited the number of partners in any consortium to a maximum of

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<sup>46</sup> SF: Seeking labour support and having due consideration for labour organization concerns and priorities

<sup>47</sup> SF: Achieving context specific requirements, such as black economic empowerment in South Africa.

<sup>48</sup> SF: Public sector commitment, supporting environment

three (Plummer, 2002:214).<sup>49</sup> The importance of correct partner selection has already been alluded to on page 186. The next section will focus in more detail on selection criteria for partners that will participate in partnerships.

### 3.6 SELECTION CRITERIA FOR PARTNERS

It seems self-evident that good partners would make good partnerships. What exactly a “good” partner would be, will be discussed in this section. Importantly, the partner selection criteria used in evaluating possible partners for public-private joint ventures could give an indication of the characteristics of a “good” partner. The table below illustrates UK Treasury selection criteria to be used by public sector entities when considering private sector partners for a joint venture. The table indicates characteristic or asset classes against which possible partners could be measured. These classes of characteristics or assets are relationship management, organizational strengths, financial strengths and technical capability.

**Table 3-4: Characteristics/Assets: Possible questions/selection criteria**

<b>Relationship Management</b>	Vision: why they want to get involved Objectives: what they want to get out of the partnership Stated policy on partnering Transparency in dealings
<b>Organizational strengths</b>	Company background Principal activities Management capacity Ownership structure: parent and subsidiaries Core business Stability of market place in which company operates Diversity of operations Performance and reliability within market place
<b>Financial strengths</b>	Statement of turnover in respect of proposed joint venture company Key ratios: profitability, liquidity, gearing, debtor delays, stock Turnover
<b>Technical capability</b>	Questions/criteria will depend on the specifics of the project

(HM Treasury, 2001:31)

In the UK Treasury methodology, partner selection is thus focused on relationship management, organizational strengths, financial strengths and technical capability. It could be argued that some of the classes of characteristics or assets would be less

<sup>49</sup> SF: Reducing and managing complexity

appropriate selection criteria for a non-profit or government partner than for a private sector partner and therefore provide a guide only for the public sector in selecting a private partner. Ownership structure in a public entity, for example, is not a factor that would distinguish it from any other public entity because, except in monarchies, ownership of the organs of state theoretically belongs to all citizens and practically is controlled through a combination of political, legislative, judicial and executive powers seated in different positions within the state structures. Turnover and profitability are also not appropriate measurement instruments with which to evaluate a public entity's desirability as a partner. A question that arises is whether a private entity really has any choice about its public partner in any specific project. A private entity might only be able to avoid partnering with a specific public entity by avoiding all projects in which that public entity is involved. Therefore, there seems to be room for developing a guideline which could be used by private or non-governmental organizations to assess the characteristics and assets of possible public partners. While such an investigation is outside the scope of this dissertation, it is recommended as possible further research on the topic of PPPs.

In returning to the discussion of the assessment of private partners, it is noteworthy that operators in the water sector believe that the private partner needs to be experienced and competent to bring added value (Plummer, 2002:22).<sup>50</sup> Experience can only be linked indirectly with the evaluation classes mentioned in Table 3-4 on page 188, but has obvious merit as an indicator of suitability as partner. The following statement by Jean Pierre Mas, Operations Executive at Johannesburg Water Management, supports the idea that experience is important in the make-up of a potential private sector partner, even if the statement is somewhat self-promotional:

*The change to customer-focused and business-orientated services is greatly facilitated when private utilities such as Ondeo can add expertise and experience from their various contracts around the world. As such, Ondeo has considerable expertise through a network of specialists in terms of water service provision to low-income communities. Inexperienced private*

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<sup>50</sup> SF: Partners have previous experience in the specific field of service delivery

*companies would certainly experience enormous difficulties in bringing affordable and adequate services to such communities, which represent a large proportion of the various metropolis populations. (Plummer, 2002:22)*

Partners can also be selected through competition, and in one specific type of partnership, the JV, as practiced in the UK, there are broadly two methods of selecting a JV partner competitively. The first option is running an open competition and the second is using a targeted approach. The UK Treasury argues that the choice of approach will depend on the particulars of the case. The overall aim, whatever process is followed, is to select the partner best able to deliver the sought after outcomes. Both processes have much in common, and should involve:

- identifying and investigating the market (considering type, geography, size, players, strategy);
- identifying and investigating the main players (considering philosophy, track record, geography, strategy, market share, marketing skills, competitors);
- developing evaluation criteria based on the desired competencies, attributes and the desired strategic outcome;
- short listing; and
- identifying and negotiating with a preferred partner (HM Treasury, 2001:28).<sup>51</sup>

Where the possibility exists to select a partner, these processes will surely add value and increase the likelihood of successful partnership. This concludes the discussion of selection criteria for partners. In the next section the context or environment of partnerships and how this affects partnership success will be discussed.

### **3.7 THE CONTEXT OF PPPS**

The environment in which partnerships operate and inside which PPPs are conceived and prosper or die should have some bearing on the success or failure of a PPP. In this section, that context will be explored in more detail. PPPs exist within an environment which can be supportive, indifferent or destructive. When considering

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<sup>51</sup> SF: Comprehensive partner-selection process

the impact of the environment on PPPs, one needs to consider both the general and specific environments, as well as the public-to-private continuum in the environment. An analysis of the environment indicates that it can be divided into: Political, Economic, Social, Cultural and Technological sectors, or into Political, Economic, Societal, Technological, Ecological and Legal sectors. A closer look at what constitutes an enabling environment will be taken in Chapter 3. The risks and potential benefits of PPPs tend to increase from one end of the PPP continuum to the other, i.e. from simple service and management contracts through to concessions and BOTs. As the more complex arrangements become more widespread, the creation of a suitable enabling environment becomes increasingly relevant.

### **3.7.1 Definitions, structures and governance issues related to PPPs internationally**

What is public and what is private is often dependent on the governmental system and ideology, and therefore, so is the definition of public-private partnerships. The PPP definitions and structures that are in place in selected countries as well as international organizations warrant discussion and comparison within the ambit of this dissertation. Research for this dissertation has shown that there is a supportive international context for partnerships. The supportive network for one type of PPP, the Business Improvement District, provides ample illustration of this. Internationally focused entities such as the International Downtown Association, the Association of Town Centre Management, and the United States Agency for International Development foster information exchange on the Business Improvement District (BID) model, by providing centralised forums for parties with similar interests, thus allowing participants to form alliances and reduce transaction cost. A wide range of policy entrepreneurs, including property owners, business owners, local governments, public agencies, nongovernmental organizations, elected officials, private consultancy firms, international organizations, and researchers, are responsible for the intra- and international transfer of the BID model. Within this system and through a variety of communicative mechanisms, BID policy entrepreneurs deliberately and effectively maintain a network for sharing information, ideas, and resources within and beyond their national boundaries. They are motivated to share information because they recognize the advantages of urban

policy transfer, especially the benefits associated with membership in a policy network such as the opportunity to benefit from the exchange of information (Hoyt, 2008:125).

### **3.7.2 National, Provincial, and Local**

Public sector partners can be provincial or national government departments, organs of state, parastatals and municipal departments and entities. There seems to be some misgivings regarding the use of PPPs within the SA public sector if the following quote is considered:

*While there are no general impediments to the use of PPPs, various uncertainties, inconsistencies and ambiguities create unnecessary risks for the government and private service providers (Republic of South Africa, 2001:B7).*

In South Africa, the National Treasury's package of integrated reforms to strengthen the enabling environment in support of PPPs includes:

- Establishing a clearer policy framework to ensure that PPPs are a coherent option for departments (using the word clearer must be a reference to insufficient clarity in the previous policy framework);
- Refining legislation through a targeted programme to remove unnecessary obstacles to cost-effective PPP arrangements;
- Enhancing the capacity of departments to use PPPs in sound and effective projects;
- Providing a simple yet effective institutional framework to ensure that PPPs achieve value for money and facilitate capacity enhancement activities (Republic of South Africa, 2001:B6).

Treasury's role in relation to PPPs is to ensure that PPP projects reflect a prudent use of state resources (i.e. that they are affordable and provide value for money). The regulations and the guidelines facilitate departments and Treasury playing their respective roles throughout the PPP project cycle (Republic of South Africa, 2001:A3). In the municipal sphere, the Municipal Infrastructure Investment Unit (MIIU) provides technical assistance and support to municipal councils involved in



PPPs. It promotes PPPs and fosters capacity enhancement through its work with municipalities (Republic of South Africa, 2001:B9). Functional capacity for engaging in partnerships has been strengthened at the local government level. The Department of Provincial and Local Government (DPLG) and its successor named the Department of Co-operative Governance (DCOG) coordinates several technical assistance projects to provide appropriate training and related capacity enhancement activities for local government officials. The DPLG also issued various best practice guidelines on key aspects of the partnership project life cycle and assisting councils in promoting the partnership concept among municipal residents (Republic of South Africa, 2001:B9).

Since 1994, the SA government has placed significant emphasis on the elimination of service backlogs from the apartheid era. The Municipal Infrastructure Investment Framework, published in 1995, was the first attempt to quantify the investment needed. It demonstrated that this challenge could not be met by the public sector alone: it needed partnerships with private investors and operators. Thus, subsequent government policies on urban development and local government have recognized the need for partnerships. Some municipalities began to explore options involving the private sector, adding to the pressure for clearer government guidance on approaching partnerships. In 1997 the then Department of Constitutional Development published a first set of guidelines for PPPs at the municipal level. Government departments and the Development Bank of Southern Africa (DBSA) introduced municipalities to the partnership concept, but soon the need for a more consolidated initiative became apparent (Plummer, 2002:236). In 1997, the Departments of Finance and Constitutional Development and the DBSA joined forces to establish a support unit to act as a catalyst for PPPs. The Municipal Infrastructure Investment Unit (MIIU) was given the explicit objectives of encouraging private sector investment in municipal services, and building sustainable capacity in the municipal, private and consultancy sectors. Located at the DBSA, the MIIU was conceived as a five-year project. Members of staff were either seconded from the DBSA or were international experts supported with funding from USAID (Plummer, 2002:236).

In practical terms, the MIIU provides technical assistance to municipalities that are preparing service projects for private sector investment. It provides funding support,

on a cost-sharing basis, for municipalities to appoint the specialist consultants needed for project preparation, and also provides direct technical assistance to municipalities regarding the process of structuring PPPs. Typically, this includes guidance on the conceptualization and design of PPP initiatives; the selection, supervision and evaluation of local consultants charged with preparing feasibility studies and bid document packages; the negotiation of PPP contracts; and appropriate means and methods of interacting with national-level stakeholders such as labour unions and relevant ministries (Hlahla, 1999). It then provides limited support for municipalities when they move forward into the initial stages of implementation (Plummer, 2002:236). By 2002, the MIIU was addressing approximately 40 municipal projects in water, electricity and solid waste as well as other non-basic municipal services. The unit had received over 40 applications from other interested municipalities. Deals concluded by 2002 included the two most prominent water concessions in the country, in Nelspruit and Dolphin Coast. Its support is demand-led. Municipalities must request assistance and meet rigorous procedures to qualify for technical and financial assistance. Given the aim of creating PPP “success stories” within the country, it is likely that those municipalities receiving support from the MIIU and launching PPP initiatives already have a significant degree of financial capacity and technical skills. Basic municipal management skills were being developed through broader initiatives, led by the DPLG and its successor DCOG, the DBSA and donors (Plummer, 2002:236).

The process adopted by the MIIU in the development of PPPs also aims to build a national consultancy sector with the ability to underpin future municipal initiatives. This is envisaged as a key tool in the creation of a sustainable market for PPPs in South Africa. To this end, local consultants have worked beside international consultants on the projects, building skills as core team members while accompanied by colleagues with more expertise and experience. The unit places a high degree of importance on learning from international experience and the inputs of the World Bank and bilateral donors (Plummer, 2002:236). In the light of its experience with municipal PPPs, the MIIU has been able to contribute significantly to the government’s development of policy and legislation. South African government policy on partnerships was contained in a Draft White Paper on Municipal Service Partnerships published in April 2000. Partnerships are also specifically described,

and their procurement regulated, in the Municipal Systems Act of 2000 (Plummer, 2002:236). While South Africa has a pro-PPP stance in terms of national legislation, other countries have used legislation to escape PPP contracts. In Canada, the government made legislation mid-way through a contract to enable them to get out of the contract (Daniels & Trebilcock, 2000:103).

### 3.7.3 Local Government

The scope for partnerships at local level can be limited by the scope of local government mandate. It is possible that municipalities in different government systems would have differing service delivery portfolios. In a centralized command system, a local government would probably have less say in major infrastructure development than in other countries where local authorities can, for example, choose to build international airports. At local government level, PPPs are implemented according to legislation and guidelines developed by the Department of Provincial and Local Government. These are covered in the **Municipal Services Partnerships Policy**. The National Treasury's PPP unit, guidelines and regulations did not cover local government PPPs in 2001, although the principles are the same, and projects may be similar in practice (Republic of South Africa, 2001:A3). By 2010 additional guidelines specifically for local government had been issued. The constitutional recognition of local government as a sphere of government has enhanced the status of local government as a whole and of municipalities in particular, and has given them a new dynamic role as instruments of delivery. The relationship between the three spheres of government is outlined in Chapter Three of the Constitution, which, among other things, requires Parliament to establish structures and institutions to promote and facilitate intergovernmental relations.

According to the Constitution and the Organized Local Government Act, 1997 (Act 52 of 1997), (which formally recognizes the South African Local Government Association (SALGA) and the nine provincial local government associations), organized local government may designate up to 10 part-time representatives to represent the different categories of municipalities and participate in proceedings of the NCOP. The South African Constitution provides for three categories of municipalities. As directed by the Constitution, the Local Government: Municipal Structures Act, 1998,

contains criteria for determining when an area must have a Category A municipality (metropolitan municipalities) and when its municipalities fall into categories B (local municipalities) or C (district areas or municipalities). It also determines that Category A municipalities can only be established in metropolitan areas. The Municipal Demarcation Board determined that Johannesburg, Durban, Cape Town, Pretoria, East Rand and Port Elizabeth be declared metropolitan areas. Metropolitan councils have a single metropolitan budget, common property rating and service tariff systems, and a single employer body. South Africa has six metropolitan municipalities, namely Tshwane, Johannesburg, Ekurhuleni, EThekweni, Cape Town and Nelson Mandela. It also has 231 local municipalities and 47 district municipalities. Metropolitan councils may decentralize powers and functions. However, all original municipal, legislative and executive powers are vested in the metropolitan councils. In metropolitan areas there is a choice between two types of executive systems: the mayoral executive system where legislative and executive authority is vested in the mayor, and the collective executive committee where these powers are vested in the executive committee.

According to Jeanne Pierre Mas, Operations Executive of Johannesburg Water Management in 2002, the establishment of partnerships with experienced private companies requires sound regulatory frameworks (Plummer, 2002:22). In November 2000, the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), was published to establish a framework for planning, performance-management systems, effective use of resources, and organizational change in a business context. The Act also established a system for local councils to report on their performance, and gives an opportunity for residents to compare this performance with others (Burger, 2002). Public-private partnerships are also regulated by the Act. It allows municipalities significant powers to corporatize their services, establish utilities for service delivery, or enter into partnerships with other service-providers. The Act provides for the adoption of a credit-control policy by municipalities that will provide for the termination of services in the event of non-payment. Municipalities will have the power to pass bylaws to implement the policy. The rationalization of old-order legislation has received significant attention (Burger, 2002).

### **3.7.4 Legislative environment**

The most pertinent legislation in terms of PPPs in South Africa include the Public Finance Management Act, 1999 (Act 1 of 1999) and the Municipal Finance Management Act, 2003 (Act 56 of 2003). Regulation maintains competitive market discipline in the execution of public-private partnership contracts (Pongsiri, 2002). Kogan Pillay of the national treasury's public-private partnership unit have indicated that black economic empowerment was a prerequisite for all companies bidding for government tenders (Phasiwe, 2005). Although the motivation for this policy cannot be contested, it does add an extra level of complexity to the use of partnerships. Important policy documents include the Municipal Service Partnerships Policy (Republic of South Africa, 2001:B5).

### **3.7.5 Why have partnerships at local level?**

At the local level, continued or greater involvement in partnership approaches is likely between public bodies and/or private bodies and non-governmental organizations because of pragmatic factors such as resource constraints, as well as more ideological factors. These factors include a belief in the overall advantages of a partnership approach; the move towards enabling local government (where publicly funded services are implemented by private or not-for-profit bodies rather than by the public sector); a recognition that any one local actor often does not have all the competencies or resources to deal with the interconnected issues raised in many policy areas; and greater agreement that urban regeneration should include the genuine participation of the local community (McQuaid, 2000:11). Some degree of resource constraints must be experienced for partnerships to be necessary. The theoretical and empirical validity of these views do however need further analysis. Indeed, in order to fully understand the behaviour and policies of organizations involved in economic development and regeneration it is necessary to consider the nature of their networks and relationships with other actors, including the flows of resources, power, and information within these networks (McQuaid, 2000:9–10).

Each partnership is a function of a particular set of historical, economic, social and political contexts. Even so, there are many common trends. McQuaid argues that the natures of partnerships, particularly private-public partnerships but also partnerships

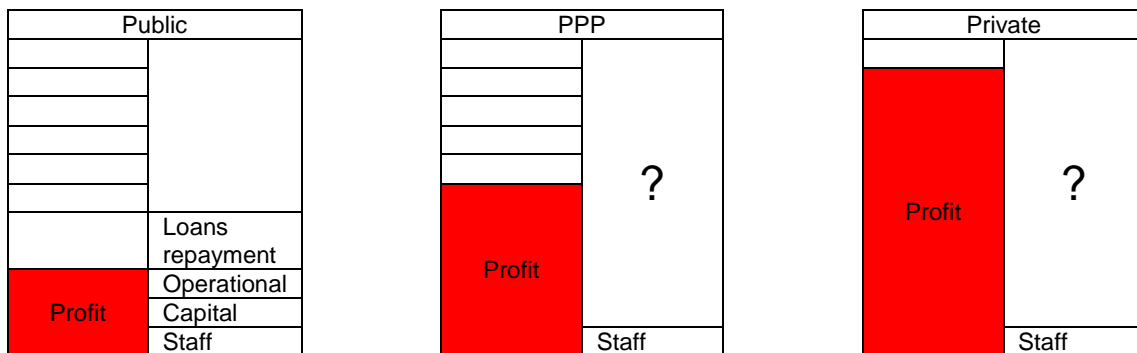
between quasi-public and/or public agencies, are in a state of flux because of changing global economic patterns, government funding and changing economic structures in both the US and UK. He indicates that one broad context for the growth of partnerships is the transformation of central-local government and changing state-private sector relationships, in which partnerships may be the result of, but in other cases the cause of, such changing relationships. According to McQuaid, these changing relationships have given rise to a paradox concerning the fragmentation of publicly funded agencies and the multifaceted nature of issues that government must deal with. This apparent paradox is that there has been a move in recent decades for many government functions to be delivered through “quangos”<sup>52</sup> or other agencies with a narrow range of objectives so as to increase focus, accountability and effectiveness. Yet, as a result of the multi-faceted nature of the issues and problems being dealt with, these agencies must generally work in various forms of partnership to effectively tackle the issues. However, these partnerships cloud accountability, reduce focus and influence overall efficiency and effectiveness unless the partnerships are carefully designed and operated. A “form and function paradox” exists “whereby the multi-functional nature of policies needed to deal with complex issues conflicts with the single or limited-function nature of the organizations, resulting in new partnership forms of strategy development and delivery which may then reduce some of the apparent benefits of having individual organizations” (McQuaid, 2000:11, 34).

The decision on whether or not to embark on partnership should be based on some sort of cost-of-delivery calculation. Ideally, the provision of the specific public service through the partnership should be less expensive than delivering the same through the normal public channel. If a partnership cannot deliver a service at a cheaper rate, there seems to be little reason for using the partnership option, except if the public value, public benefit or public “profit” generated through delivering the public service in partnership exceeds what would be generated through direct public provision. This idea of profit is illustrated in the figure below. While it is accepted that government

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<sup>52</sup> Quasi-autonomous non-governmental organizations to which government functions are devolved, also referred to as non-departmental public bodies in the UK.

would not normally operate a service with a profit motive, government may seek to recover more than its costs on a specific service in order to subsidize another. If, through partnership, such an over-recovery could be maximized, government would have even more revenue with which to deliver other services. The private sector has an undeniable profit focus and would have an interest in maximising that profit as much as possible. There may however be difficulty in determining the exact cost of service delivery, both on the public and the private side. The dilemma for the public manager is that the real cost of delivery by the public sectors is already not easy to calculate. In Australia, such a calculation is called a Public Sector Comparitor (see previous discussion under the reasons for partnership on page 105 (sub-subsection 2.5.5.12 The promise of financial benefits). Then there is the possible uncertainty of how much delivery would cost in a partnership, which is exacerbated by the closed nature of private sector delivery cost calculations. The private sector has an interest in maximising profit and would presumably not want to disclose its cost of service delivery and thereby give an indication of profit level.



**Figure 3.2: A comparison of costs and profit / benefit within the public and private sector as well as in a PPP**

Some critics, including unions, may see PPPs as a way of avoiding unionized labour. The South African government has actively encouraged public service provision since 1996, but Plummer (2002:234) argues that trade union resistance continues to test the government’s commitment to PPP. The South African government signalled continued commitment to partnerships with the private sector when, in March 2009, the Waste Management Act was gazetted. While the Constitution of South Africa assigns the responsibility of waste management to local authorities, one of the objectives of the Waste Management Act is “to encourage greater private sector participation in waste management” (Beningfield, 2009:22).

### **3.8 THE LIFE CYCLE OF A PPP**

In this section, the life cycle of a PPP will be described in order to provide further insight into the PPP concept. The evaluation of partnerships, with due regard to life cycle stages of partnerships, will be discussed in more detail in chapter 5 from page 317. It is however now opportune to formulate a standard life cycle typology that can be used as part of an evaluation tool. Such a typology will determine a specific set of life cycle stages that will be used in the rest of this dissertation. Irrespective of the life cycle stages one decides to apply to partnerships, such a life cycle analysis can have significant influence on the evaluation of partnerships. It would for example not be useful to attempt a direct comparison between the performances of two partnerships that are in widely disparate life stages, such as comparing a partnership which is in pre-contract negotiation phase with another partnership which is in its 25<sup>th</sup> year of a 30 year concession. It is quite clear that it would be important to know where a partnership is in its life cycle when it is evaluated.

Like any organization, contract or agreement, a partnership exhibits a lifespan from its start to its conclusion. One could attribute biological life stages to partnerships such as conception, birth, childhood, adulthood and death, or one could apply human relationship constructs such as courtship, engagement, marriage, separation and divorce. The well-known theory with the group development stages of forming, storming, norming and performing could also be applied to partnerships. Another possible life-stage analysis of partnerships could use standard project life cycle stages. The project life cycle generally includes the four basic stages of concept and initiation, design and development, implementation or construction and commissioning and handover (Burke, 2007). A very simplistic but still realistic partnership life cycle characterization would be to divide the life cycle of a partnership into only three primary components, being to (1) Set an objective / milestone, (2) Achieve and (3) Disassemble or maintain the partnership (with transfer of learning and responsibility). A more informal characterization found in literature includes four steps: Trawling for a partner; Sizing up; Structuring the partnership; and Rolling. In 2001 Aiello identified the following phases in the life of a PPP:

- Conceptualization;
- Internal ringfencing exercise (ensuring budget availability);
- Feasibility study under Treasury rules;



- Request for qualifications (RFQ);
- Request for proposals (RFP);
- Adjudication, negotiation, contract signing;
- Implementation.

It is interesting to note that while the procurement stage is described with six phases, the implementation part of the project is only described with one phase. It is quite clear that the focus is mostly on the procurement aspect of the partnership with only cursory consideration of the arguably most important delivery part of the project. While it may be argued that the procurement stage is critical in any PPP project, a counter-argument could be that the proof of success can only really be in delivery. An example might help to clarify this argument: while the procurement of a fire engine can be a complicated process of specification, tendering, evaluation and delivery and payment, the business-end of the project for the local fire chief will be the operational use of the fire engine. The importance of correct procurement can not be contested, but there is a case for prioritising appropriate implementation above procurement. Returning to the (possibly appropriate) obsessive focus on PPP procurement in the PPP project life cycle by the SA Treasury, it is held that the non-financial public manager should be more interested in how the service delivery vehicle will work and what involvement will be required than in the initial procurement process. The PPP phases described above can be interpreted as being specific to the PPP environment within South Africa because Aiello was involved in framing the PPP guidelines published by the SA Treasury and influenced the process at the time through thought leadership and the publication of papers (Aiello, 2010) . The phases could serve as a basis from which to discuss the life cycle of a PPP. There are however key omissions in Aiello's life cycle phases which should also be considered to attain a comprehensive view of the life cycle of a partnership. It can for example be argued that Aiello's characterization of phases is influenced by a focus on PPPs concerning procurement, infrastructure creation and handover, and therefore says too little about what happens with a partnership after delivery of the infrastructure. Specifically the life of a partnership after implementation, from maintenance to possible demobilization should also be considered, while Aiello merely mentions implementation. The number of phases in the life cycle of a partnership, such as

those identified by Aiello, will of course also be dependent on the type of PPP (see description of partnership forms in section 3 from page 132). A design-and-build partnership would necessarily have a shorter lifespan and therefore possibly fewer life cycle phases than a partnership which includes design, build, ownership, operation and ultimately transfer of assets to the public sector.

An alternative life cycle with more comprehensive cradle-to-grave phases is proposed as the core of an evaluation tool. These phases, based on Burke's combination of project and operation life cycle into one "product life cycle", includes the following life cycle phases (2007:52):

- Pre-project;
- Concept;
- Design;
- Implementation;
- Handover;
- Operation;
- Disposal.

The life cycle stages identified by Aiello fits comfortably inside this proposed life cycle model, although Aiello elaborates considerably on procurement-related matters within the life cycle. It is reaffirmed that this dissertation is not necessarily aimed at guiding procurement officers on the process of procuring a service through PPPs, but rather at public managers in general to enable them to deal appropriately with partnerships when they come across them.

**Table 3-5: A comparison of life cycle conceptions for partnerships**

<b>Partnership life cycle</b>	<b>Aiello's PPP life cycle</b>	<b>Group dynamics theory life cycle</b>	<b>Biological life cycle</b>	<b>Relationship life cycle</b>	<b>Simplified life cycle</b>	<b>Informal life cycle</b>
Pre-project	<ul style="list-style-type: none"> <li>• Conceptualization</li> </ul>	Forming	Conception	Courtship	Set an objective	Trawling for a partner
Concept and initiation	<ul style="list-style-type: none"> <li>• Conceptualization</li> <li>• Internal ringfencing exercise</li> </ul>	Forming	Conception	Courtship	Set an objective	Sizing up
Design and development	<ul style="list-style-type: none"> <li>• Internal ringfencing exercise</li> <li>• Feasibility study under Treasury rules</li> <li>• Request for qualification</li> </ul>	Storming Norming	Birth	Engagement	Achieve	Structuring the partnership

Partnership life cycle	Aiello's PPP life cycle	Group dynamics theory life cycle	Biological life cycle	Relationship life cycle	Simplified life cycle	Informal life cycle
	<ul style="list-style-type: none"> <li>• Request for proposals (RFP)</li> <li>• Adjudication, negotiation, contract signing</li> </ul>					
Implementation / Construction	Implementation	Performing	Childhood	Marriage	Achieve	Rolling
Handover / Commissioning	Implementation	Performing	Adulthood	Marriage	Achieve	Rolling
Operation	Implementation	Performing	Adulthood	Marriage	Achieve	Rolling
Disposal	Implementation	Performing	Demise	Divorce / Separation	Disassemble	Rolling

In the **conceptualization** phase the driving forces include a need for capital, the desire to shed costly activities that could dominate or weigh down budgets, and the desire to access private sector efficiencies and capital (Aiello, 2001). The conceptualization phase is equal to the conception phase. The internal ring fencing exercise concerns an effort at determining internal cost for the provision of the service. In South Africa the **feasibility study** for a PPP may be approached in different ways, depending on the sphere of government involved in the partnership. For national and provincial government agencies the Treasury format for feasibility studies must be used, which will include an options analysis and feasibility study focusing on affordability, followed by a request for quotation or a request for proposals where value for money must be the deciding factor. The final element of the Treasury-format feasibility study for national and provincial government agencies will be the financial closure which must achieve and formalize risk transfer. For PPPs in the municipal format, there will be a Phase I and a Phase II Feasibility Study followed by an RFQ, an RFP, procurement, and implementation.

There are three major elements to the option analysis: affordability, value for money and risk transfer. In looking at affordability it is important to determine what the actual costs are so that a comparator can be constructed, and so that the private sector will know what is expected. The challenges faced in determining affordability include the fact that many public entities do not know the costs involved in performing a particular service because budget allocation may not reflect actual annual cost. Value for money, in turn, is a comparison between the NPV of what it costs or will cost the public entity to perform the service, and the NPV of what it will cost the private sector to perform the same service. The other elements of affordability and risk transfer are also considered in determining value for money. The risk transfer element of option analysis involves making sure that each party should bear the risk it is best suited to control. According to Aiello, this typically means that the private sector must bear most of the project risks while the public sector risk would usually focus on payment. The likely response of organized labour to the option, as well as the question of private sector interest also bears consideration in an options analysis (Aiello, 2001).

It can be said that the useful life of a partnership is limited to the period from its creation to the achievement of its milestones and/or objectives, except if there is a renegotiation of the objective or if the objective requires ongoing effort such as a condition or service objective instead of an infrastructure objective. A condition or service objective is dynamic and it would be an objective to create and maintain a specific condition or service, while the more concrete infrastructure objective will relate only to the creation of infrastructure. The aim of this dissertation is to identify critical success factors for PPPs, and in order to determine whether case study PPPs can be classified as successful, one would need to be able to somehow measure the performance of these PPPs. The concept of the PPP life cycle adds another dimension of complexity to the evaluation of PPPs because one would need to consider the stage within the life cycle of a specific partnership when evaluating its performance. This point will be elaborated in the chapter on evaluation. If one considers that PPPs are normally managed as projects, then the normal categories of project risks that form part of the project management landscape will also apply to PPPs. Project management risks and related success factors for PPP projects are further discussed in section 4.6.4 on page 289.

### **3.9 CHAPTER SUMMARY**

In this and the previous chapter an overview of public-private partnerships was presented. In Chapter 2 historic aspects of PPPs were described to show that the PPP is not such a recent invention as many commentators believe. Partnerships and symbiotic relationships that occur in nature were discussed and descriptions that are used to categorize types of symbiotic relationships were introduced in order to expand the vocabulary with which to describe PPPs. Definitions related to partnerships followed, whereafter reasons for partnering and uses for partnership were presented. In this chapter various partnership forms, the structure and the management of partnerships were analysed. The barriers to partnership were considered and some negative aspects of partnerships were raised before selection criteria for partners were discussed. The context in which PPPs exist was described and finally the life cycle of a PPP was analysed in an effort to provide a full understanding of PPPs.

People and organizations involved in public-private partnerships mostly have very little motivation to broadcast the fact that "their" public-private partnership has failed, if indeed it has. Such "failed" partnerships as well as successful ones, could however contain valuable lessons for governments, NGOs and the private sector in terms of their future involvement in partnerships. The question is: how many prospective "partners" are considering these lessons before embarking on new partnerships? It seems that at the most basic level, the success of a partnership will be signalled by the value of the whole being greater than the sum of the parts (Adamo, 2008). In the following two subsections the success factors identified in this chapter will be summarized, and the development of a partnership evaluation framework will be commenced based on what was learnt in this chapter.

### 3.9.1 Success factors identified in this and the previous chapter

As indicated in Chapter 1, the success factors identified in each chapter will be summarized at the end of each chapter from this chapter onwards. The success factors that were identified in the footnotes within this and the previous chapter have been copied to this section. In cases where the footnote contained more than one distinct success factor, the content of the footnote has been broken down into the separate factors apparent in the footnote. A total of 67 success factors were identified in this and the previous chapter and are listed below without further processing or interpretation, in the same order that they were identified. The list does contain some duplications and similarities. In the latter part of this section, the duplications and similarities will be removed to create a summarized list of unique success factors which can be used for comparison with factors identified in later chapters. The following success factors were identified in this and the previous chapter:

1)	The existence of potential for synergy between partners;
2)	The representatives of the partners in the partnership have sufficient delegated decision-making powers;
3)	Partners' procedures, systems and equipment are compatible;
4)	Sufficient social capital and/or sufficient time to build social capital;
5)	Wide consultation and stakeholder involvement;

6)	Enabling legislation;
7)	High-profile proponents / champions of the model;
8)	Competent, motivated management;
9)	Policy-making powers are delegated with care, if at all;
10)	Sufficient social capital within society to accommodate the social capital requirements of the partnership;
11)	Supportive legal environment;
12)	Compatible procedures and systems and levels of technical expertise;
13)	Favourable internal and external political environment;
14)	Common ground in terms of political doctrine;
15)	Absence of gatekeepers and allegiances;
16)	Price flexibility from private partner;
17)	Profit potential for private sector;
18)	Skills transfer possible from public to private sector;
19)	Leadership;
20)	Financial capacity;
21)	Support of stakeholders;
22)	Stable political leadership;
23)	Streamlined, appropriate procedures;
24)	Adequate skills and managerial capacity;
25)	Appropriate levels of political involvement;
26)	Effective change management;
27)	Inter-departmental cooperation;
28)	Appropriate incentive structures;
29)	Public sector understanding of private sector incentives and NGO approaches;
30)	Effective communication across barriers such as language;
31)	Enabling and coordinated legislative and policy environment;
32)	Understanding of and capacity for engagement with external and internal stakeholders;
33)	Organizational culture must be receptive for partnership;
34)	Honest, positive, transparent and constructive consultation with stakeholders;



35)	Genuine engagement with policies promoting partnership;
36)	Equality within partnership;
37)	Real engagement of excluded voices;
38)	Power sharing;
39)	Overcoming cultural and institutional differences;
40)	Bringing partners “together”;
41)	A common understanding of the concept of public-private partnership;
42)	Supportive models of public-private interaction;
43)	The service involved is appropriate for delivery through partnership;
44)	Improved effectiveness and efficiency;
45)	Achievement of an important social benefit;
46)	Clear, agreed goals;
47)	Reasonable resource costs;
48)	Comprehensive all-stakeholder calculation of total benefit;
49)	Consensual decision-making;
50)	Clear assignment of specific decision-making powers;
51)	Balancing of power;
52)	Willingness to invest time and effort;
53)	Balanced power and representivity;
54)	Formalized, inclusive and consensual decision-making;
55)	A focus on positive goals, positive social impact and public good;
56)	Increased effectiveness in use of resources;
57)	Effective performance management;
58)	Overcoming potential conflict caused by differences in philosophy;
59)	Access to learning experiences from other partnerships;
60)	Effective partner selection processes and contractual arrangements;
61)	Possible contracting problems emanating from government being a party to infrastructure arrangements are addressed;
62)	Seeking labour support and having due consideration for labour organization concerns and priorities;
63)	Achieving context-specific requirements, such as black economic empowerment in South Africa;

64)	Public sector commitment;
65)	Supporting environment;
66)	Reducing and managing complexity;
67)	Comprehensive partner-selection process.

The above list is quite difficult to digest in its current format and needs to be made more meaningful. The success factors listed above will be processed or distilled to a list that is as brief as possible without losing detail, and will be presented in Annexure C in the interest of conciseness and continuity in this part of the dissertation.

### **3.9.2 Consolidated list of success factors**

The consolidated list of success factors identified in this chapter is provided in Annexure C. The list shown in Annexure C was compiled after deleting duplications, combining similar ideas and grouping related success factors with each other. It is now a considerably shorter list of success factors grouped into themes that were established by looking at recurring ideas within identified success factors. The bulleted format of the list may seem overly structured at this stage, but will be kept in this format for easier comparison with lists of success factors identified in later chapters. As already indicated, this list of success factors will, in the next chapter, be compared with the success factors identified in that chapter in a similar process as followed above.

### **3.9.3 Towards a framework for partnership evaluation**

As outlined in Chapter 1, the success or failure of partnerships should be measurable if one wants to identify success and be able to draw lessons from it. The determination of the success or failure of a partnership is a critical step in distilling success factors from PPP examples. In this subsection the first steps will be taken towards the development of an evaluation framework for partnerships. It seems logical that the first step in such an evaluation will be to determine whether the entity being evaluated does in fact qualify as a PPP. The defining elements of a PPP, as discussed in Section 2.2 on page 58, and the eight-point checklist to pre-qualify an entity as a PPP as illustrated in Table 1-1 on page 16, can be used in this regard.

As a second step in the evaluation of partnerships, one can try to identify key performance areas in which the partnership can be evaluated. The list of potential success factors identified in the previous subsection could form the basis for key performance areas from which key performance indicators can then be developed. Due to the untested status of the above success factors, it would not be productive to already use them in the development of an evaluation instrument. It would be more appropriate to await the further development of these success factors within this dissertation. While it is perhaps too early to use the success factors identified in this chapter in a proposed evaluation tool, it is at this stage possible to propose a framework for the use of success factors to identify key performance areas and indicators. The table below illustrates a proposed framework for evaluation. In the table, the column headings describe what information can be entered into the cells below them. The second row in the table below describes what the rows after the heading row should contain once it is implemented as an evaluation tool.

**Table 3-6: Basic evaluation framework for PPPs**

<b>PPP Name</b>	<b>PPP Prequalification</b>	<b>Success factors</b>	<b>Key performance areas and indicators</b>	<b>Performance evaluation</b>
<i>Contains: Name of PPP</i>	<i>Contains: Result from eight-point checklist to pre-qualify the entity as a PPP.</i>	<i>Contains: List of success factors identified</i>	<i>Contains: Key performance areas (KPAs) derived from the success factors</i>	<i>Contains: Indication of the performance of the PPP within the KPAs.</i>

In summary, it can be said that a framework for the evaluation of PPPs will include at least some confirmation that the entity being evaluated is in fact a PPP, and will also include key performance areas that can be derived from the categories of success factors identified within this dissertation. It would be helpful to reduce the large number of KPAs identified in this chapter to five or six, and possibilities in this regard will be explored, starting in the next chapter. The discussion on the development of a framework for the evaluation of partnerships will be continued at the end of the next chapter.

### **3.9.4 Summary**

This concludes Chapter 3. In this and the previous chapter a comprehensive overview of the PPP concept was provided and success factors for partnerships were identified while a performance measurement instrument was framed. In the next chapter, critical success factors for PPPs found in literature will be investigated.

1	2	3	<b>4</b>	5	6	7	8
<b>CRITICAL SUCCESS FACTORS</b>							

Chapter 1: INTRODUCTION
Chapter 2: PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW
Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT
<b>Chapter 4: CRITICAL SUCCESS FACTORS Perspective 1: Collecting opinions and evidence from literature</b>
Chapter 5: EVALUATING PUBLIC-PRIVATE PARTNERSHIPS Perspective 2: Interrogating definitions and opinions of success to establish success measurement instruments
Chapter 6: EXAMPLES AND THEIR SUCCESS OR FAILURE Perspective 3: Analysing case studies using measurement instruments from the previous chapter
Chapter 7: SUCCESS AND FAILURE: SEARCHING FOR A PATTERN Comparing the evidence from different perspectives
Chapter 8: SUMMARY AND CONCLUSION: KEY ASPECTS OF SUCCESSFUL PARTNERSHIPS Synthesis: Evaluating the evidence
9.: ABBREVIATIONS AND ACRONYMS
10.: REFERENCE LIST
11. Annexure A: PPP ENABLERS PER COUNTRY
12. Annexure B: QUESTIONNAIRE TABLES

## 4 CRITICAL SUCCESS FACTORS

### 4.1 INTRODUCTION

This dissertation is aimed at identifying critical success factors for public-private partnerships and providing supportive information for public policy-makers and managers on when to consider using partnerships as delivery mechanisms and how to best ensure the success of such partnerships. Chapter 1 introduced the research question, indicated how the dissertation would be constructed and described some initial concepts related to partnerships. Chapters 2 and 3 provided a comprehensive overview of public-private partnerships which included some historical notes on partnerships, a comparison between partnerships and synergism in nature, definitions relating to partnership, reasons for partnering, uses for partnership, forms of partnerships and contract types. Partnership structures and management was described, and barriers to partnership and negative aspects of partnership were analysed, after which the context and life cycle of PPPs were presented. Now that a good initial understanding of partnerships has been developed it is possible in this chapter to consult literature to locate any critical success factors that are mentioned or implied by various authors and researchers regarding partnerships and which can in later chapters be considered alongside success factors identified through other methods. Those success factors that are confirmed by subsequent levels of inquiry will eventually form part of the final collection of success factors.

In the previous chapter an overview of public-private partnerships was presented and certain self-apparent success factors were listed as they came up in the discussion. These factors are listed at the end of this chapter and further support for them will be found in the search for critical success factors pertinently identified in literature. The search for critical success factors for partnerships in general and more specifically for PPPs begins in the traditional public management and PPP literature. However, as explained in Chapter 1, the literature on PPPs pay limited attention to identifying the critical success factors for PPPs and the initial search was frequently frustrated by a lack of material. Other fields of study which could contribute to identifying critical success factors were then considered and explored, with slightly better results. This

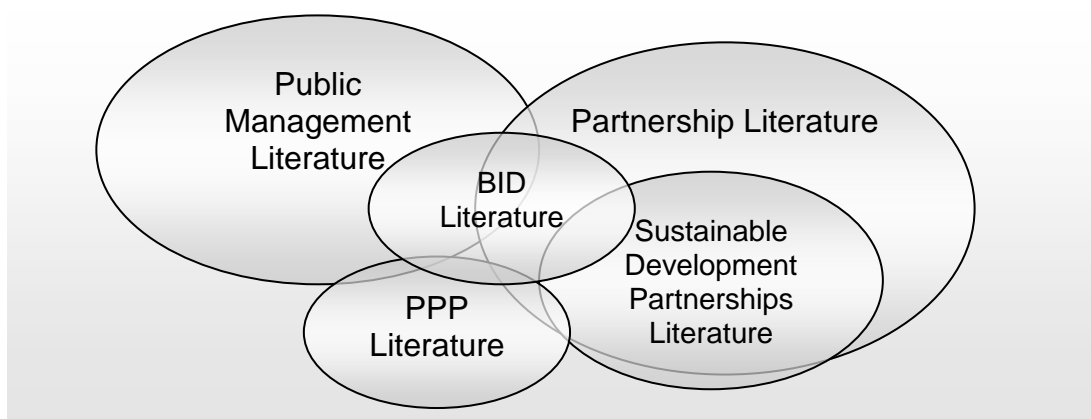
chapter therefore also contains success factors “borrowed” from various other applicable fields of enquiry such as the private sector collaboration literature and entrepreneurial studies.

After summarizing the success factors identified in the previous chapter, an analysis of the wider partnership literature, which includes works on both PPP and other types of partnership, will be conducted and success factors will be lifted out. The second body of literature that will be analysed is that concerned with Public Governance or Public Management in all its different guises, taking into consideration recent shifts, reforms and redefinitions in this field. Success factors for partnerships flowing from this field of study will be identified. The focus then moves to other disciplines and fields of study that could also contribute to the understanding of partnerships and in which further success factors may be identified. Success factors will be extracted from the private inter-business collaboration literature as well as entrepreneurial studies because both of these fields have very strong, although mostly ignored links with partnerships. An additional section in this chapter is dedicated to short forays into several other fields of study or perspectives, still in search of success factors. These success factors will also be sought in stakeholder perspectives, operator perspectives, the project management field, enterprise risk management and in the private provision of public services. The chapter summary will include a listing of the success factors identified in this chapter and then a comparison of these factors with success factors identified in previous chapters. Success factors from the previous chapter that are supported by success factors identified in this chapter will be transferred to later chapters for additional filtering and discussion. The obvious first place to look for critical success factors for public-private partnerships would be the literature on PPPs. In the next section success factors identified in partnership literature will be highlighted.

#### **4.2 SUCCESS FACTORS IDENTIFIED IN PARTNERSHIP LITERATURE**

In this section success factors identified in general partnership literature (including but not limited specifically to PPP literature) will be presented. The idea here is to find specific references in partnership literature that point to critical success factors for partnerships.

As can be expected, there is quite a wide range of literature on partnerships in general, and within this general field there are several more tightly focused areas concentrating on specific types of partnerships. One such focused area concerns itself with partnerships in the international sustainable development field and is dominated by international development agencies, international NGOs such as the United Nations and its many agencies and allied organizations, aid agencies of every ilk, and academic and research institutions operating in this field. A second focus area within the wider partnership literature has strong linkages with public management and is particularly concerned with PPPs, with a predominant focus on large scale infrastructure projects. A third focus area involves very localised partnerships such as business improvement districts (BIDs). A fourth focus area concerns itself with the concept of network governance which is closely linked to the partnership idea and looks at networked governance partnerships from a public management perspective – describing network governance as a new direction of development for public management. The various uses and contract types for partnerships are discussed in detail in Chapter 3. The figure below is an attempt at illustrating the relationship between the focus areas inside the more general partnership literature.



**Figure 4.1: Relationships in literature on partnerships**

In the rest of this section, success factors emanating from the different focused areas mentioned above will be discussed. The first focus area is that of partnerships in the international sustainable development field, and this will be discussed in the first subsection.



#### **4.2.1 Focus area 1: International sustainable development partnership literature: SEED Partnerships and the success factor transplant**

The IISD (International Institute of Sustainable Development) operates out of Canada and is one of the organizations operating in the field of sustainable development and partnerships contributing to sustainable development. In August 2007, the IISD was mandated to pursue a research agenda with one of its primary research goals being to analyse different types of development partnerships and their success factors. The objectives of the research included to provide guidance for partnerships, to share demonstrated success factors and, by understanding what makes these partnerships successful, helping other sustainable development partnerships and entrepreneurs, policy- and decision-makers, donors and other investors who want to support new ventures to identify those worthy of investment and support (Creech & Paas, 2008:11). This research performed by the IISD has obvious parallels with the aim and methodology of this dissertation and is therefore covered in some detail in this subsection. The research would focus on SEED winners. The SEED Initiative (Supporting Entrepreneurs for Sustainable Development) runs an international award scheme which selects promising partnerships for sustainable development. The SEED initiative was founded at the World Summit for Sustainable Development (WSSD) in 2002, and launched its first award round in 2004. SEED Partners include the United Nations Environment Programme (UNEP); the United Nations Development Programme (UNDP); the World Conservation Union (IUCN); as well as the governments of Germany, the Netherlands, South Africa, Spain, the United Kingdom and the United States. The SEED award is a partnership building and capacity development award, through which expertise, advice, and contacts are made available to award winners through its partners and its support programme (Creech & Paas, 2008:11).

After preliminary steps in the research programme, it became evident to the research team that the SEED initiative was encountering several issues which they believed are commonly found in the practice of promoting partnerships for sustainable development. These include:

- The continuing ambiguity of the meaning of “partnerships”;

- The plethora of types of collaboration making it very challenging to categorize “partnerships” and to then identify which types of partnership for sustainable development are working; and
- With that amount of variation, making it difficult to pull out common but specific indicators for good performance and success (Creech & Paas, 2008:12).

According to Creech and Paas (2008:12) this ambiguity in understanding the different types of partnerships has been a contributing factor to the wide variety of SEED winners being selected, in both 2005 and 2007. This variety of winners presented a challenge for the SEED Research and Learning Programme in attempting to analyse from the winners’ experience any common factors for success, other than the most generic of observations (such as the need for a champion or driver for the enterprise, and community support) – all of which, according to their opinion, have been documented at the meta-level fairly regularly in the literature. These “most generic of observations”, which are almost discarded by Creech and Paas, remain important and will be useful for the public manager who becomes involved in PPPs. These observations will be discussed in later sections of this chapter. IISD’s frustration with ambiguity and variation prompted it to begin forming a hypothesis that there might be an alternative lens through which to view the SEED winners, besides that of the WSSD multistakeholder partnerships. The idea of partnerships as agents of sustainable development and poverty eradication was strongly promoted at the WSSD in Johannesburg in 2002. IISD considered the view that the common characteristic for SEED winners is that they are forming, or helping to form, for-profit enterprises based on social or environmental objectives and values. The IISD then asserted that partnerships is not the central, defining objective of these enterprises; rather, the enterprises and entrepreneurs are using a variety of partnerships and other relationships to achieve their goals (Creech & Paas, 2008:12).

The line of argument used here gives the impression that the IISD was moving away from the concept of partnerships because of an inability to isolate meaningful critical success factors for partnerships that would apply to the SEED winners and provide meaningful support to the winners. Later in this subsection, it will be shown that the IISD in fact had to return to the partnership concept as a core element of what the

winner had to try to get right in order to survive and grow. The argument used by the IISD that it had to look elsewhere than partnership literature and practice to give the winners meaningful critical success factors is however still fundamentally important. The assertion that entrepreneurial studies could provide lessons that could be used to increase the chances of success of sustainable development partnerships is a key departure from conventional thought on partnerships. It brings the realization that many other disciplines or areas of enquiry could also perhaps contribute to a better understanding of what makes partnerships work or fail. It supports the reasoning used in this dissertation, where critical success factors for PPPs are being sought not only in literature on sustainable development partnerships and other generalized types of partnership, but also in other fields with apparently tenuous connections to PPPs. It is this transfer of ideas from other fields of study that is alluded to in the title of this subsection. Strong local ownership is seen as a key success factor for partnerships. “Strong local ownership has crucial positive effects: it increases compliance with policies and norms; it ensures that development initiatives fit local circumstances; and it empowers the local stakeholder groups involved.” (Creech & Paas, 2008:18) It should however be noted that some commentators see “ownership” and “partnership” as contradictory terms, because the concept of ownership implies that one party takes charge, while the concept of partnership implies equality (Steets, 2006:95).

Through critical reading and interpretation, the following success factors can be identified in this subsection:

- Strong local ownership;
- Strong champion or driver;
- Community support;
- See partnerships formation as the formation of new for-profit enterprises based on social or environmental objectives and values – use lessons from private enterprise;
- Observe the “generic observations” on partnership success.

The second literature focus area on partnerships identified at the start of this section is the literature focused on the formal PPP field. In the following subsections a

framework for PPP improvement will be synthesized from several different sources including Plummer (2002), Rowe (2006) and the NCPPP (2006).

#### 4.2.2 Focus area 2: PPP Literature

More than 20 years ago, in 1987, the World Bank's Economic Development Institute (EDI) published a series of books called the *EDI Series in Economic Development*, of which one book was called "The private provision of public services in developing countries". This can be considered as early PPP literature because even if the name PPP is not used, the author, Roth, indicated that the purpose of the book was to refute the conventional wisdom that only the public sector can supply public services in developing countries. He saw the private provision of public services as a way to reduce deficits and at the same time enhance quality of services, particularly for low-income people. A particularly illuminating point he makes is that it is often the well-to-do that benefit from public services while the poor have to make do with private services. This may sound counter-intuitive to someone who sees the state as the final support system that everyone can depend on, but the example is a clear confirmation of Roth's opinion: at the time of his research drinking water in Karachi, Pakistan, had to be bought in bottles by the poor, while it was piped to the better off (Roth, 1987:xiv). Twenty-one years later, in 2008, the Oscar-winning film "*Slum Dog Millionaire*", also clearly illustrated how the opportunity to use sanitation services (such as informally erected toilets) were privately sold by children within the slums of Mumbai, India.

These and other examples as discussed in Chapter 1 and 2 show the breadth and age of the inquiry into PPPs and suggests that there will be ample information within PPP literature that would indicate critical success factors applicable to PPPs. Unfortunately, as discussed in previous chapters, there is scant independent evaluative information on partnerships as most references to partnership case studies and the theory around partnering are either unquestioningly positive or parochially negative. Even so, many success factors could already be derived from the overview of partnerships in the previous chapter, and in this section a further exploration of PPP literature will be undertaken to identify as many success factors as possible directly from the available body of knowledge.

#### 4.2.2.1 Frameworks and principles for PPP improvement

In 2002 a comprehensive sourcebook “for Municipal Capacity Building in Public-Private Partnerships” was published as part of a municipal capacity building series by Earthscan Publications. The sourcebook was prepared with funding from the Department for International Development (DFID), UK, through its Knowledge and Research Programme. It was the result of a two-year project entitled “Building Municipal Capacity for Private Sector Participation” carried out by GHK International in collaboration with the University of Birmingham and the United Nations Development Programme (UNDP) Public-Private Partnerships for the Urban Environment (PPPUE) facility. While the book is comprehensive, it is rather one-dimensional in terms of the partnership types covered, with a strong focus on formalized water, sanitation and solid waste partnerships only. Other types of partnerships that occur at municipal level, such as business improvement districts (BIDs), are not mentioned. While no book can cover every aspect and type of partnership, and while the book is aimed specifically at poverty reduction, the parochial focus of the book does present a problem to the reader from the public sector who is looking for advice on a wider variety of types of partnership with the purpose of finding solutions to the challenges faced by the public sector. The municipal manager, for example, does not have the luxury of only looking at one sector at a time, and should be empowered to consider the use of PPPs in the much broader range of services that municipalities must deliver – all of which could have bearing on poverty reduction.

At the end of the DFID publication discussed here, the various elements of municipal capacity building for PPPs discussed in the book are summarized and placed in a broad framework for action. Plummer (2002) indicates some discomfort with the framework by stating:

*The complex arena of PPPs makes such an outline a matter of debate. This particular framework stresses urban management, poverty reduction and a broad perspective of PPPs.*

Actually the perspective is not that broad – many types of PPPs and fields in which PPPs exist are not addressed, one glaring example being the many urban regeneration partnerships operating across the world.

*It aims to provide a structured way of considering PPPs in their municipal context and supplements programmes and technical toolkits presented elsewhere. This complexity is accentuated further by integrating poverty responses into PPP and not separating them as optional extras.*

*Central to this complexity is the untidy way in which vastly different organizations are simultaneously referred to as “private sector”. Yet this compilation reflects the real nature of service delivery in developing cities. The private sector participation process is not a matter of shifting from purely public operation to purely large-scale private operation. It is a matter of shifting from a mixed composition of providers to a hopefully more integrated structure. (Plummer, 2002:309)*

While it is agreed that the definition of “private sector” is not at all as clear-cut as generally believed, one has to question the idea that PPP is the tool with which to shift from mixed service provision to integrated service provision. Firstly, PPPs can actually bring more complexity and, secondly, depending on contract design decisions, PPPs could further fragment the delivery of service by making several separate private agents responsible, in competition for a service previously delivered by a single municipal department. There is however support for Plummer’s assertion on integration from the strategic management field where Grant (2005) describes the vertical integration of steps in product development and argues that the integration of vertically related activities into one organizational structure can reduce transaction costs. The organizational design of such a partnership will then have considerable bearing on its ability to realize transaction cost savings. This aspect is discussed in subsection 4.6.7. Plummer’s framework is thus focused on local government and poverty reduction, mostly in the provision of bulk water and sanitation services. There are also other frameworks and lists of recommendations for successful PPPs with other perspectives, one example being from the United Nations Development Programme’s Special Unit for South-South Cooperation.

A decidedly private-sector inspired “recipe for success” comes from the NCPPP (National Council for Public-Private Partnerships, United States), who states that there are six critical components of any successful PPP. The NCPPP notes that, while there is not a set formula or an absolute foolproof technique in crafting a successful PPP, each of their identified keys is involved in varying degrees. Yet another checklist or recommendations come from Nelson and Zadek who set out 10 key “pathways” for successful partnerships, broken down into issues of context, purpose, participants, organization and outcomes. According to Twigg (2002) they illustrate the complexity that is inherent in such initiatives. McQuaid in turn organises the factors he believes success will depend upon into leadership, legitimacy, resources, governance and evaluation (McQuaid, 2000:30). The key principles of partnership suggested by Plummer also inform the formation of a set recommendation to promote partnership success. These suggested principles include: Transparency and accountability; Competition and contestability; Legitimacy and legality; Specificity; Stakeholder participation; Equity; Clarity and predictability; Risk Management; and Economic, financial and environmental sustainability. In the remainder of this section, the recommendations from Plummer, the NCPPP, Nelson and Zadeck, McQuaid and Rowe will be combined into one comprehensive list of recommendations from the PPP literature on ensuring the success of PPPs.

#### *4.2.2.2 Focused Purpose*

Achieving a focused purpose will entail clarity and openness about individual expectations and agendas, with mutual agreement on a common purpose and agenda for the partnership – i.e. synergy between desired benefits to participants and benefits to society. It is necessary to keep a partnership focused on outcome instead of inputs. There should be mutual agreement on the scope and complexity of the partnerships’s intended locations and levels of action, variety of functions, range of desired outcomes and time-scales (Nelson & Zaldek, 2000; Plummer, 2002:309–313). Part of having a focused purpose would be to ensure the identifying and meeting of objectives with due regard for the organizational and governance objectives, functions and obligations inside which the partnership operates. A focused purpose not only entails knowing the purpose of the partnership, but also the

target audience, beneficiaries or clients of the partnership – the public to whom the public service will be delivered. Plummer (2002:309–313) focuses specifically on additional poverty reduction–specific activities, but such a focus can be translated into focusing on the intended beneficiaries of the partnership and investing extra effort in identifying their needs and objectives, incorporating previous knowledge of interaction with the problem at hand and the target audience, identifying and responding to the key concerns of the target audience and identifying existing actors, assets and mechanisms involved in service delivery to the target audience.

Rowe believes that government policies in the UK privileged the needs of business over the general interests of the wider community (Rowe, 2006:208). In the UK, local–level partnerships are a result of distrust in the ability of local government. One could ask why the the local municipality would participate if a partnership were a product of distrust. Based on the understanding emerging from the preceding paragraphs, the following success factors can be identified in this subsection:

- Clarity and openness about individual and collective agendas and purpose;
- Synergy between individual and collective agendas;
- Synergy between individual, collective and societal benefits.

#### *4.2.2.3 Implementation Support*

What is unambiguous and straightforward, according to Plummer (2002:309), is the need for greater support, at least at the municipal level, to focus PPPs and to integrate them into urban governance strategies. A single success factor can be identified in this subsection:

- Ensure support in the implementation of partnerships.

#### *4.2.2.4 Beware power relationships*

A plethora of material suggests that partnerships, while a good idea on paper, are particularly problematic in practice. There are expected tensions and dilemmas inherent in a policy that seeks to engage people from across sectors in decision-making and which seeks to challenge and change mainstream services. The idea of partnership is hard to put into practice and problems are aggravated by the way



some seek to adapt to and undermine the policy (Rowe, 2006:207). It is telling that Rowe felt it necessary to remove all references to specific partnerships from his paper on “Abusive Partnerships”. He stated, “[i]t is in the nature of the narrative presented here that they are not acknowledged openly, and certainly not to outsiders” (Rowe, 2006:208). Rowe’s assessment that information would normally not be shared supports earlier arguments in this dissertation where it was stated that “honest” information on partnerships is rare. Rowe’s narratives point to issues of power and inequality within partnerships of real significance to those concerned with the themes of regeneration and inclusion. These issues, while not universal, are common. Rowe argues that much of the practitioner literature fails to seriously address questions of power. He indicates that the PPP authorities only recently started to take questions of governance particularly seriously. On the other hand, academic literature suggests that questions of power represent almost insurmountable barriers to the practice of partnerships (Rowe, 2006:208). The following insights into success factors can be identified in this subsection:

- Understand and adjust for the influence of power relationships upon partnership governance;
- Pay attention to governance issues in partnerships.

#### *4.2.2.5 Transparent procurement processes*

It is argued that partnership success will depend upon building legitimacy, accountability and public confidence through transparency in procurement processes (McQuaid, 2000:30; Nelson & Zaldek, 2000; Plummer, 2002:220). To improve accountability, cost reporting must be made transparent - all stakeholders become nervous when financial reporting is not open (Plummer, 2002:304). One concern regarding process transparency is that a transaction which seems transparent and fair to a highly trained chartered accountant might not be seen in the same light by a member of the community with little or no financial training. The lesson is that stakeholders should be empowered to understand that which is supposed to be transparent. A fully transparent procurement system must allow for open competition in the selection of the partners for each project (UNDP, 2008). Steps towards transparency could include some of the following prescriptions:

- Bidders have access to the same information about a project

- Proposals must comply with some minimum requirements
- Prospective operators are prohibited from soliciting support from anyone involved in awarding the contract
- Collusion with other bidders are prohibited
- Amendments after the award of the contract are prohibited (unless essential due to unforeseen changes in the operating environment); and
- Public reporting of amendments, and general reporting throughout the project cycle, should be as open as possible (Plummer, 2002:215).

The appointment of external consultants to work with the municipality on the evaluation of bids is often a helpful step because they create confidence in the quality and independence of the process (Plummer, 2002:215). Procedural disincentives for corruption can be devised and the permanent or temporary blacklisting of contractors who make themselves guilty of corrupt behaviour can be considered (Plummer, 2002:215). An analysis of the preceding paragraphs indicates that the following success factors can be identified in this subsection:

- Transparent procurement processes
- Stakeholders should be empowered to understand that which is supposed to be transparent
- Consider appointment of external consultants to work with the government agency on the evaluation of bids
- Procedural disincentives for corruption
- Blacklisting of corrupt contractors

#### *4.2.2.6 Involve civil society*

NGOs offer a useful instrument to help with the monitoring of procurement, tariff-setting and implementation processes. Municipalities could make use of this capacity to assist them in ensuring the ongoing public scrutiny of partnerships (Plummer, 2002:215). Plummer (2002:205) indicates that NGOs may become involved in partnerships without any contract. The relationship may have no formal contractual status and involve no financial remuneration for the NGO. It is often of an indefinite duration, an ongoing commitment at the discretion of the NGO. There are no formal

obligations on the private firm to listen to the advice of an NGO, and it can easily be by-passed. However, while the relationship may be informal, an important role is still performed and the NGO remains independent. It is able to act on its own and the community's behalf, and is not compromised or placed in conflicting roles. The following success factors are apparent from this subsection:

- Civil society can assist with performance measurement;
- The role of civil society to act on behalf of the community should be recognized by partnerships;

#### *4.2.2.7 Reduce transaction cost*

Transaction costs include those costs incurred through planning and preparation of the partnership project until financial and contractual closure (Plummer, 2002:202). As one of the motivations for using partnerships is precisely the potential of partnerships to reduce the costs of public service provision, it will be important and pivotal to the success of a partnership to reduce transactional costs as much as possible. Among the major transaction costs are those incurred for:

- Feasibility studies (financial models and options, appropriate levels of services and service options and consumer profiles);
- Hiring of legal advisors (many complex issues can only be dealt with by specialist legal advisors);
- Consultants to assist with procurement and contracting procedures and to support the municipality in its liaison with the private sector and other stakeholders.

Options available to municipalities and other government actors to reduce costs could include reducing the bureaucracy of the process by simplifying decision-making and granting negotiators authority and clear lines of accountability. Other options include: bundling activities together so that costs are shared; simplifying specification by stating expected outputs (quality and performance standards); ensuring that invitations to tender do not require too much additional (detailed or extraneous) information. This can be done by making sure that information requirements are well thought out beforehand, and by providing a format that makes it easy to compare the information received from different bidders. Cost reduction can also be achieved by

inducing awareness of cost management among staff of the public sector party; expediting access for new suppliers to staff and premises; and ensuring that contracts are flexible to reduce time spent on discussing contract variations. Finally, limiting complexity by rationalising the number of partners in a partnership and ensuring fair contract enforcement mechanisms in the partnership arrangement can also reduce costs (Plummer, 2002:203, 214). The sheer cost of establishing a PPP could be a key concern for government agencies and especially municipalities, and finding the funding to facilitate this process should be an early task for a designated team or individual within the public sector entity aiming to establish a partnership (Plummer, 2002:203).

Quite a number of success factors can be derived from the discussions in this subsection:

- Limit transaction costs;
- Simplify decision-making;
- Devolve authority for decisions to the lowest possible level;
- Clear lines of accountability;
- Integration of activities to enable cost sharing;
- Simplify specifications by focusing on outputs and outcomes;
- Ensure tender invitations are complete with all necessary information;
- Standardized forms and methodology for bid adjudication;
- Increase awareness of cost management among public staff;
- Expedite access for new suppliers to staff and premises;
- Flexible contracts with simple, robust contract variation procedures;
- Rationalize the number of partners;
- Fair contract enforcement mechanisms;
- Early appointment of a designated team or individual to identify finance sources.

#### *4.2.2.8 Stakeholder participation, communication and support*

This area of recommendations for success involves actively determining the concerns and interests of stakeholders and systematically addressing these (Plummer, 2002:222). It has been indicated that any partnership initiative will

flounder if stakeholder involvement is superficially consultative, with the stakeholders feeling that they have no real impact on outcomes. All stakeholders should be consulted with due sensitivity to their particular interests (Plummer, 2002:223). Different stakeholders will be important at different times and government must be responsive to public (Plummer, 2002:220) and other stakeholder demands. More people will be affected by a partnership than just the public officials and the private-sector partner. Affected employees, the portions of the public receiving the service, the press, appropriate labour unions and relevant interest groups will all have opinions and, frequently significant misconceptions about a partnership and its value to the public. It would be in the interest of the prospective partnership to communicate openly and candidly with these stakeholders to minimize potential resistance to establishing a partnership (NCPMP, 2006).

The table below gives an indication of the many stakeholders that may become involved in a partnership. The biggest part of the table was used to record stakeholder concerns and interests as well as project responses to these stakeholders in a municipal water supply project in Gweru, Zimbabwe. Some additional stakeholders were added from a case study description in Plummer (2002).

**Table 4-1: Partnership stakeholder concerns and interests**

Stakeholder category	Concerns / interests	Project Response
Consumers	Will have to pay for the services, have interest in the standards and costs involved	Effective communication on project goals and timelines, and how this will affect consumers.
Residents directly affected by construction	People living next door to a new reservoir or landfill site	Should be treated as interested and affected parties.
Poor households and communities	Often lack the means to participate effectively in public policy and project processes. Their involvement is critical to partnership design, implementation and monitoring because it helps to incorporate the perspectives of people who experience delivery problems first hand	Pro-poor public participation process

Stakeholder category	Concerns / interests	Project Response
Municipal employees	Often fear the implications of private sector participation for their employment conditions, if not for their jobs. It is critical to engage with them from the outset, to ensure that they understand the need for transformation, and that they are able to make an impact on the decisions that are eventually made about partnerships	Effective communication of project impact on municipal employees and their careers.
Existing informal service providers	Stand to lose their source of income if their interests are ignored	Engagement with local economic development authorities.
Consumer groups	To protect consumer rights	Tariff control Performance standards to ensure quality of service
Community-based Organizations (CBOs)	To ensure transparency in the PPP process To protect consumer interests and protect reliable and affordable service	Public tender, public meetings
Chamber of commerce / chamber of industry	To ensure efficiency and reliability of service To ensure commercial tariffs are kept to a minimum	Zimbabwe: no response required because commerce was positive towards PPP
Trade unions federation	Employees would lose jobs Conditions same or better than existing	Ensure handover of all staff to operator Terms and conditions to be same or better Future conditions pegged against Council terms and conditions Skills development (local and international) would be provided by operator to meet requirements

Stakeholder category	Concerns / interests	Project Response
Municipal workers union	As above Pension scheme carried over to new jobs	Assurance that current scheme would be maintained – operator pays into same fund Seeking an amendment to local authorities pensions act to enable trasbferred employees to return fund membership
(Zimbabwe) Electricity Supply Authority	To ensure that PPP does not disrupt existing operations	Ensure notification of all stakeholder meetings and decision-making forum Enable operators access to ZESA in preliminary survey
Ministry of Local Government and National Housing	To monitor process to ensure government policy on PPP is met To promote the first water and sanitation PPP in Zimbabwe Disseminate experience to other local authorities	Ensure notification of all stakeholder meetings and decision-making forum Provided access to the development of all documentation
National Economic Planning Commission	To understand and promote their role in capital financing	Ensure notification of all stakeholder meetings and decision-making forum
Ministry of Water Resources and Development (Provincial Water Engineer)	To continue to supply bulk water to Gweru To ensure that existing bulk water charges are met by the private operator	Ensure notification of all stakeholder meetings and decision-making forum Enable operator access to Ministry
Operator	Efficient operations, keeping costs low	Project management
Investors	Return on investment	Transparency in financial reporting, meaningful performance indicators.

Success in getting a trade union on board in a water and sanitation project in Gweru, Zimbabwe, was attributed to previous experience in similar projects.

*The municipality and the unions had undergone a massive learning curve by cutting their teeth on the contracting-out of the theatre and security services, and commercialising the distillery (Plummer, 2002:220).*

Stakeholders may also have unwritten and subtle motivations or even hidden agendas. A possible example is that a trade union would not want to lose membership through the transfer of existing union members from a government department to a private entity where the union has no power or mandate. In such a case, it can be expected that the union would fight the project vociferously. The Zimbabwean example discussed here possibly received approval from the union because they were not going to lose membership and power. As has been illustrated by partnerships that have failed, it is critical to keep the public and all stakeholders in a project fully and accurately informed about the intent, purpose and means for implementation of a given project. This communication should be made early in the development process and repeated as often as appropriate and necessary. The messages should be open and candid, giving the facts about the project and all the partners, in order to counter misperceptions and myths. The message format should be one provided in the appropriate context and format for each given audience (UNDP, 2008). The responsibility for these communications can be equally shared by the political leadership and the administrative leadership (i.e. the dedicated unit). The audiences that should be addressed should include all constituencies that will be impacted by the project and its implementation. This could include the press, public sector employees, the private sector (both those competing for the project and those with interests but not suited), local unions, the end users of the service or projects, and any competing interests (McQuaid, 2000:30; UNDP, 2008).

Some final recommendations related to stakeholder participation include allowing participation of the public in the choice of a provider (Plummer, 2002:220) as this will improve local ownership of a project. The understanding prompted by the discussion in this subsection gives rise to the identification of the following success factors:

- Previous experience of partners in partnerships will add to prospects for success;
- Clear identification of all stakeholders;



- Open and candid communication with all stakeholders, taking into regard the concerns and priorities of each stakeholder;
- Conscious stakeholder relationship management;
- Keep all stakeholders informed of all aspects of project, with specific focus on the intent, purpose, and means of implementation of the project;
- Counter misperceptions and myths through audience-appropriate, candid and factual information;
- Clearly identify all stakeholders and ensure appropriate communication with each;
- Communication responsibility should be shared among partners, and communication should come from the most appropriate partner for the specific communication.

#### *4.2.2.9 Effective collaboration*

The emphasis of implementing PPPs is often placed on legal mechanisms, but increasingly the focus of sustainable partnerships lie in the development of a collaborative process – a process with which Plummer (2002:293) believes public actors will be unfamiliar and for which they will have few established or appropriate procedures to draw upon. Even with the recent focus on cooperative governance in South Africa and the constant calls for partnership, it can be argued that the regular public official has limited incentive to expend much energy in collaboration. Procedures for collaboration should be developed in the earlier stages of partnership and need to be upheld throughout the implementation stage. Keeping the doors of the partnership open, ensuring flexibility and dialogue through joint capacity building sessions, regular reviews and reconsideration are all essential mechanisms for ensuring partnership sustainability. Unlike the legal work involved in a partnership, collaboration requires experimentation and flexibility, as well as a piloting and testing approach within the bounds of a loose legal framework such as a memorandum of understanding (Plummer, 2002:293).

There is little concrete advice on how to make collaboration effective, possibly because there are so many interpersonal issues which could influence the effectiveness of collaboration. It is certainly not possible to achieve good

collaboration solely through the design and implementation of rules and procedures, simply because human beings have the capacity to disagree and be uncooperative despite every effort to make them collaborate. The only way to address the interpersonal aspects of collaboration is to ensure good interpersonal skills in the partnership staff. Based on the discussions in this subsection, the following success factors can be identified:

- Develop a collaborative process;
- Provide incentives for effective collaboration;
- Joint capacity building session;
- Regular partnership review and reconsideration;
- Experiment with collaboration options;
- Build interpersonal skills for collaboration.

#### 4.2.2.10 Context

The context of a partnership needs to be fully understood by all participants. Acknowledgement by all the participants as to what drivers and triggers have brought individuals and organizations to the table, and an ability to understand and reappraise on an ongoing basis the shifting context and its influence on the partnerships (Nelson & Zaldek, 2000) will have bearing on the success of the partnership. Any partnership needs to be designed according to the specific problems and circumstances it is supposed to address. A good partnership arrangement is one that builds on the assets of local conditions, and that is planned and implemented in a thorough and credible manner to address the specific issues within that local context (Plummer, 2002:229). Plummer's description of her framework for partnership makes valid points about the influence of context on partnerships:

*“Like any such framework, this is only a guide and must be adapted to suit the context, and the highly specific and general aspirations of the municipality. Local conditions will spell out what is possible and what is not. They will provide key areas of concern, whether political or regulatory. While action at the policy level is largely outside the scope of this book, it is a vital aspect of the potential of municipal capacity. Existing stakeholders and their respective*

*capacities will further affect the key areas of action. The existence of a fleet of water tankers and reservoirs provides an asset for water delivery that cannot be overlooked in more ambitious network planning. Competent NGOs working with the poor in sanitation and hygiene promotion play a key role in linking the benefits of services to poverty reduction. The willingness of the international private sector will also clearly influence a municipality's approach to achieving its objectives. The balance of these is particular to each context."* (Plummer, 2002:309)

Buisson (2006) argues that each type of partnership with a local authority has to be tailored to local conditions, national legislation and sectoral authority requirements. It is safe to assume that the same caveat of appropriate tailoring will apply to partnerships involving other spheres of government. The following success factors are indicated in this subsection:

- Understanding of the original partnering motivations and conditions;
- Sensitivity to the environment and its influence on the partnership;
- Ability to adapt to environmental changes.

#### *4.2.2.11 Enabling Political and Statutory Environment*

Before the first step is taken to form a PPP, the political and statutory environment must be in place. Critical parts of this include visible leadership and a fully transparent procurement system that allows for open competition in the selection of the partners for each project. There must be statutory and regulatory authorization for the specific use of PPPs (NCPPP, 2006; UNDP, 2008).

These political and statutory environmental factors must be incorporated in national codes that must include provisions for the "sanctity of contracts." Provisions in a contract must be adhered to by all parties, unless it is mutually agreed that a revision is appropriate and needed. Failure to comply with the terms of a contract must also invoke clearly prescribed penalties for both the public and the private sector partners. Fair, unbiased judicial systems, which provide equal access to judicial relief to all parties, domestic and foreign, and provide consistent, reasonably predictable rulings, are also essential (McQuaid, 2000:30; UNDP, 2008).

A number of success factors can be derived from the discussion in this subsection:

- Visible political leadership;
- Policy statement to all stakeholders;
- Change necessary parts of procurement system to support the partnership approach;
- Fully transparent procurement system;
- Open competition in the selection of partners;
- Confirm / ensure statutory and regulatory authorization;
- Public officials must identify and remove legislative, regulatory and administrative impediments;
- Rally public, political and administrative support;
- Strong leadership to overcome institutional inertia / resistance to change;
- Recognize the importance of perceptions among leadership;
- Contract management to ensure adherence and punish non-compliance;
- Access to fair and unbiased judicial relief;
- A statutory foundation (enabling legal environment).

#### *4.2.2.12 Public and private leadership*

According to the NCPPP (2006), a successful partnership can result only if there is commitment from "the top". The most senior public officials must be willing to be actively involved in supporting the concept of PPPs and taking a leadership role in the development of each given partnership. A well-informed political leader can play a critical role in minimizing misperceptions about the value to the public of an effectively developed partnership (NCPPP, 2006). Visible and effective political leadership is required in support of the PPP. Senior officials, both elected and administrative, must take a public posture in support of the partnership approach, through a strong policy statement to all stakeholders and a clear will to ensure that the necessary parts of their procurement system can support a PPP (Frisch, 2002; UNDP, 2008). Equally important, public officials must take the leadership role in removing any impediments, legislative, regulatory or administrative, to the implementation of PPPs. Through their political leadership, they should endeavour to rally public, political and administrative support for the partnership approach to

addressing public needs. This may be particularly challenging for the mid-level management in agencies that have not had experience with PPPs - there can be significant resistance to a new approach, and strong leadership may be required to overcome this “institutional inertia.” The perception of leadership in this area is as important as the actual implementation, because this closely relates to other key elements in the development of PPPs (McQuaid, 2000:30; UNDP, 2008).

It is possible to see too that partnerships that appear to be failing often lacked the direct contact (or understanding) of a councillor familiar with the nature, scope and problems of partnerships. As councillors are usually elected for a relatively short period (three to five years), a primary issue for long-term partnership arrangements is the capacity and frequent turnover of municipal decision-makers. In many respects, the capacity of the private sector to become involved in the delivery of services to the poor is dependent on individual champions from the private firms involved, and the difficulties seem due to the inflexibility of the private organizations with regard to new circumstances, as well as the over-riding profit motive, which arises from time to time (Plummer, 2002:24). This inflexibility is a somewhat surprising accusation when considered against the background that many proponents of the involvement of the private sector in service delivery uses the supposed flexibility of the private sector as an argument for involvement. The mention of individual champions, reflect the recurring theme of the importance of individuals in determining the success or failure of a PPP. This discussion of public and private leadership gives rise to the identification of the following success factors:

- Strong individual champions in the private partner;
- Flexibility to adapt to changing circumstances;
- Commitment of and leadership from top management in the public partner;
- Well-informed political leadership involvement from public partner.

#### *4.2.2.13 Sustained public sector involvement*

Once a partnership has been established, the public-sector must remain actively involved in the project or programme. On-going monitoring of the performance of the partnership is important in assuring its success. This monitoring should be done on a daily, weekly, monthly or quarterly basis for different aspects of each partnership.

The frequency can be defined in the business plan and/or contract (NCPMP, 2006).

Two success factors can be identified from this subsection:

- Continued active involvement of public partner;
- Ongoing performance management.

#### *4.2.2.14 Contract: A well thought-out plan*

The prospective partners must know what they expect from the partnership beforehand. A carefully developed plan (which could be compiled with the assistance of an outside expert in this field) will substantially increase the probability of success of the partnership. This plan most often will take the form of an extensive, detailed contract, clearly describing the responsibilities of both the public and private partners. In addition to attempting to foresee areas of respective responsibilities, a good plan or contract will include a clearly defined method of dispute resolution because not all contingencies can be foreseen (McQuaid, 2000:30; NCPMP, 2006). The specifics for the implementation of a project should be included in a detailed contract that incorporates a business plan for implementation. It is the opinion of the UNDP that there is no appropriate template for these contracts because each partnership has unique requirements that must be reflected in the contract. The contract can be best structured to include performance oriented goals, instead of specific design requirements - this will allow for the private sector to utilize its best engineering and technology skills in the implementation of the project. The contract should also be based on "best value" instead of "lowest price" taking into consideration the life-cycle costs of operation including long-term maintenance and replacement of infrastructure components, even after the conclusion of the private sector role in the project (UNDP, 2008).

The contract should include clearly delineated metrics for performance and reporting of milestones. Depending on the nature of the metrics, reporting should be on shorter time-frames, while others can be quarterly or even annually. Implementation of this process is directly related to the skill levels of the dedicated PPP unit that the UNDP recommends should be established to deal with PPPs (UNDP, 2008). The contract should include the most appropriate allocation of risks, a dispute resolution process that is satisfactory to all parties of the partnership, and provision for the specific

programme to be implemented for development of the workforce that will be employed for the development and operation of the project (UNDP, 2008). The following success factors derive from the discussion in this subsection:

- Clear description of the responsibilities of each partner;
- Clearly defined method of dispute resolution;
- Contract design should reflect conditions;
- Performance oriented goals;
- Clearly delineated metrics for performance and reporting;
- Clear risk allocation;
- Workforce development plan.

#### 4.2.2.15 *Commitment*

Partnerships will only be successful if there is adequate commitment from all involved parties.

*While there are sound policy reasons for engaging in the game of partnerships, there are dangers in understanding the capacity of public agencies to adopt and adapt the language of partnership, without genuinely engaging in the intent behind the policy (Rowe, 2006:207).*

What Rowe is alluding to is that public sector role-players could be going through the motions of partnership without really committing to this type of service delivery. A public sector willingness to operate in a true partnership environment with the private sector will be critical for the success of a partnership (UNDP, 2008). One success factor is identified in this subsection:

- Commitment to the partnership process by all partners.

#### 4.2.2.16 *Organizing*

It is recognized that organizational change may accompany the decision to embark upon PPPs. Municipal leadership and management, procedures and systems, structures, finances and attitudes may be influenced. Success will depend upon leadership and governance (McQuaid, 2000:30). In a framework for action intended to focus partnerships, Plummer puts emphasis on organizing the partnership (Plummer, 2002:309–313), but perhaps too much emphasis. Plummer may be at risk

of over-simplifying the partnership landscape. The question that begs asking is if there is not a richer source of success factors than just a process checklist. Organizing will require the establishment of an organizational and legal structure which must be approved by all partners to meet the common objectives of the partnership (Nelson & Zaldek, 2000).

From a UNDP perspective, a dedicated unit must be set up within the public administration with the skills necessary for management of all the phases in the development and implementation of PPP projects. This agency should be relatively independent of political pressure related to the initial selection of a project, as well as its development and administration throughout the life of the partnership (UNDP, 2008). Plummer echoes the idea of a specialized mechanism, indicating that one of the key steps to be taken by municipal managers is to establish a vehicle for investigation, decision-making and implementation within partnerships. To this end, it is argued, municipalities frequently establish a special committee, task force or unit tasked with defining and carrying out the steps necessary to bring about a service partnership. Ideally, an integrated team of senior and middle managers will be formed and exposed to alternative options for service delivery, and this team will have some basic training or experience of PPPs. The members of the mechanism should have some training in working together to optimize its outputs (Plummer, 2002:300). Such a dedicated unit must have the appropriate administrative skills for the development and administration of a PPP. This expertise will be critical for the development of political independence of the agency and for assuring accountability of the private sector portion of a partnership. Among these skills must be a clear understanding of financing tools and the concept of full life-cycle cost recovery. Equally, this unit should have a clear understanding of the motives of and methodologies to be used by the private sector, and illustrate a willingness to operate in a true partnership environment with the private sector (UNDP, 2008).

Acquiring all of these skills may require specific training of personnel in this unit, and if these skills are not incumbent, the retaining of truly qualified outside counsels or consultants to be managed by the unit to assure the appropriate levels of skills (UNDP, 2008). The dedicated unit must be effective in communications with all project stakeholders. Included in this, is an open procurement process, providing



accountability and transparency throughout the entire process, from development of the concept of the project, through competitive partner selection and into final management of the project. However, there must simultaneously be sensitivity to the intellectual property rights of the private sector during the competitive bidding process. This balance will ensure the best level of competition and ultimately the best partner for the PPP (UNDP, 2008). Communication strategies and systems which facilitate clarity of language, ensure regular dialogue and feedback, provide forums for problem-solving and conflict resolution, generate a shared vision and celebrate success, will need to be established (Nelson & Zaldek, 2000).

According to Plummer's framework, the development of partnerships will consist of: Building on the assets of potential partners; Focusing the scope and content of partnership arrangements; Establishing appropriate organizational and contractual arrangements; and Establishing sound partnership principles (Plummer, 2002:309–313). Building on the assets of potential partners would involve exploring the attributes and roles of actors in the partnership, identifying potential roles and contributions of external actors, developing appreciation of the different characteristics that partners bring to the partnership and designing mechanisms for partnering, i.e. for promoting effective interaction. Focusing the scope and content of partnership arrangements will include considering the scope and content of the partnership framework in terms of municipal objectives and then addressing physical objectives, political objectives, financial and economic as well as institutional objectives.

Establishing appropriate organizational and contractual arrangements pertains to considering factors affecting the way the partnership should be structured, identifying the key factors affecting the procurement of large-scale operators, developing knowledge of the various models of contracting a large-scale private sector partner, their limitations and opportunities in relation to agreed objectives, and developing an understanding of the key issues involved in working with small-scale providers as well as the key parameters concerning the role and position of NGOs. Under the topic of organizing which was elaborated upon in this subsection, the following success factors can be identified:

- Appropriate skills within the public sector partner;

- Reduction in potential for political interference;
- Effective communication with all stakeholders;
- Open procurement process;
- Build on the assets of potential partners;
- Focus the scope and content of the partnership arrangement;
- Establish appropriate organizational and contractual arrangements;
- Establish sound partnership principles.

#### 4.2.2.17 *Capacity*

Capacity is perhaps the single most important element contributing to partnership success. Success will depend upon leadership capacity, resource capacity, governance capacity and evaluation capacity (McQuaid, 2000:30). The partnership approach – ‘deciding together’ and ‘acting together’ – is a key to sustainable development (Plummer, 2002:dust cover). The term partnership has become overused, misused and abused. Too often, analysis is concerned with the financial and technical contributions and very little is said about the capacity needed to achieve partnerships. Making municipalities better partners is a critical component to making partnerships more effective (Plummer, 2002:dust cover). In Ankara, Turkey, structural capacity building for partnerships included retraining and equipping personnel with specific skills needed for project design, bidding and tendering, contract management, monitoring and auditing (Goymen, 2000; Plummer, 2002:298). Plummer (2002) makes a considerable contribution to partnership literature with a detailed analysis of capacity needs for partnership. She subdivides capacity into capacity to implement partnerships, capacity to analyse needs and develop a strategic response, capacity to implement the strategy and establish a transaction, capacity to maintain effective partnerships, and capacity to engage with stakeholders.

*Enhancing capacity to implement partnerships*, according to Plummer’s analysis, consists of understanding the operating context and supporting organizational development. An understanding of the context can be gained by investigating the operating environment of the applicable agency and the impact of this environment on PPPs and on the regulatory environment for PPPs. This understanding can be further supported by developing and implementing a skills development strategy

which enhances skills for developing, implementing and sustaining PPPs. Organizational development can be supported by developing an organizational development strategy to respond to partnership strategies and addressing management capacities, procedural constraints, impacts of and on municipal structures, financial capacities to ensure strong financial base and reliable partner, and municipal attitudes (Plummer, 2002:309–313). *Capacity to analyse needs and develop a strategic response*: This refers to the ability to understand the context and define appropriate objectives and also to understand the concept and practice of strategic planning (Plummer, 2002:265). *Capacity to implement the strategy and establish a transaction* depends on the ability to collaborate, to implement transparent tendering and evaluation procedures, to conduct contract negotiation and to understand the legal and contractual aspects of PPPs. One of the most overlooked aspects of partnerships is the ability of all partners to behave as partners, and carry out their tasks in a collaborative manner. While clarity of function and contract is important, the process of partnering is ultimately more critical. Municipalities often lack key skills such as listening and learning. Managers are accustomed to always having to know the answers, and have created dictatorial rather than flexible learning organizations. Implementing a partnership strategy that unifies a range of actors requires the municipality to facilitate a collaborative spirit. This is of paramount importance to the sustainability of the partnership, irrespective of what the contract says (Plummer, 2002:266–267).

It is interesting to note that Plummer does not refer to personality types that may be better or worse at partnering. A short look at personality types is included in the discussion on entrepreneurial studies. *Capacity to maintain effective partnerships* requires understanding of technical scope and the ability to engage with the private operator about technical problems and solutions, contract management and supervision, the capacity to develop monitoring, evaluation and feedback mechanisms and the ability to participate in renegotiations, as well as financial management and planning (Plummer, 2002:267–268). *Capacity to engage with stakeholders* (a consultative and inclusive process) relies on the ability to plan and carry out effective stakeholder consultations, on having an understanding of and ability to engage with the private operator, with independent service providers, NGOs (while promoting their involvement) and consumers, and the ability to engage with all

these stakeholders. An understanding of and ability to undertake consultation with trade unions is also required (Plummer, 2002:269–271). An understanding of capacity building needs, and the ability to improve capacity is another requirement. This includes an understanding of and ability to develop and implement a capacity building strategy and an understanding of the potential roles of specialists (Plummer, 2002:271). The understanding brought by the discussion in this subsection provides the following identified success factors:

- Strong local ownership;
- Commitment;
- Partners contribute according to their capacity;
- Contract management;
- Contract negotiations;
- Financial analysis and planning;
- Understanding the business at hand, for example water and sanitation.

#### *4.2.2.18 Clear revenue stream*

When private capital or other resources are incorporated into a PPP, there must be a clearly defined method for the private sector to recapture these expenditures and make an appropriate return on that investment. This revenue stream can be generated through user fees, government provided “availability payments,” or other innovative financing tools. To ensure that the public interests are fully protected, there should be a full cost accounting for the project. Accordingly, this may lead to a need for some flexibility in these revenue sources (within the bounds of the best interest of the public) as unforeseen aspects of a project may emerge (UNDP, 2008).

*Effective financial management: Cost recovery* – The introduction and implementation of cost recovery principles are central to the creation of sustainable service delivery. To ensure that they will be compensated for the service they provide, private operators will want to see that cost recovery has been addressed before they enter into partnerships (Plummer, 2002:303). Roth argues that the private provision of public services do not automatically translate to cost recovery. He skirts the issue of whether public agencies should charge for their services and whether, if they do, they should try to recover the full cost of providing the service (Roth,

1987:12). Innovative methods for the development of these revenue streams have been used in many PPPs. Some examples are:

- Tax Increment Financing (TIF), which captures a portion of the increased real estate value of properties impacted by the successful partnership (this can be particularly the case with transportation and water projects);
- Dedicated Tax Districts, which impose a specific tax (often on commercial activity) in the area served by the new project;
- Long-term Maintenance Agreements, where the private sector can capture a portion of savings in maintenance performed for a project (as a means of either recapturing the initial investment or generating the appropriate return on investment);
- Underutilized Assets, where publicly held assets (often real estate) can be used by the private sector as an income generator to provide some, if not all, of the capital for a project; and
- User Fees, which are fees for service, through periodic billing or tolls, may also be used. These fees may be subsidized, in whole or in part, to enable marginalized communities access to vital public services (UNDP, 2008).

While the private partner may provide the initial funding for capital improvements, there must be a means of repayment of this investment over the long term of the partnership. The income stream can be generated by a variety and combination of sources (fees, tolls, shadow tolls, tax increment financing, or a wide range of additional options), but must be assured for the length of the partnership (NCPMP, 2006). One success factor is identified in this subsection:

- An assured income stream for the duration of the partnership

#### *4.2.2.19 Careful Selection of Partner*

The selection of a partner is certainly one of the most important steps in creating a PPP. Some commentators believe that the process of selecting a private sector partner is best handled by a special body such as a Source Selection Board, made up of senior administration people and independent third party advisors. The decision process should be open and transparent, aiding in building the credibility of the project and of the partners with the full range of stakeholders (Frisch, 2002; UNDP,

2008). Identification of the private portion of a PPP requires objectivity throughout an open and truly competitive selection process. Selection of the company should be made on the basis of the best value offered, which may not be the lowest price (when the full life-cycle costs of the project are considered). Equally important is to verify the technical and financial qualifications of all the candidates through communication with other clients of the company and other reliable sources. Of major importance is the philosophical match of the company with the public sector, particularly with the unit dedicated to manage this long-term relationship) (UNDP, 2008). It must be kept in mind that this selection process should be executed in a timely and effective manner – protracted delays in awarding a contract can be extremely costly to the private sector, when it is remembered that the costs for preparing the appropriate bids may require an expenditure equal to as much as one or two percent of the total project costs. Companies are willing to invest this “risk capital” if there is an expectation of a timely and fair decision process (UNDP, 2008).

In the selection of a partner, the award of a contract should recognize that the private sector is entitled to a reasonable return on their investment. Without this, it is impossible for a private company to participate in a PPP (UNDP, 2008). It is argued, especially by the potential private partners in PPPs, that the "lowest bid" is not always the best choice for selecting a partner. The NCPPP (National Council on Public-Private Partnerships – United States) is of the opinion that the "best value" in a partner is more critical than “lowest bid” in the long-term relationship that is central to a successful partnership. A candidate's experience in the specific area of partnership being considered is an important factor in identifying the right partner. The listing of NCPPP members (provided under Council Members on the NCPPP website), it believes, provides a logical starting point for the identification of potential partners or services that might be required in the development of a partnership (NCPPP, 2006). The NCCCP obviously has a mandate to promote its members as potential PPP partners and could be accused of advertising in its statements, but the opinion that experience and value for money may be more important than the lowest price in partnership selection holds water.

Nelson and Zadek (2000) argues that individuals or institutions capable of playing a leadership role, acting as inspirer, mediator and/or facilitator between the partnership

participants and in many cases between the partnership and its ultimate beneficiaries, will be required for successful partnership. The partner selection process should therefore consider these values. Another quality that a partner should exhibit is an understanding of the resources, skills and capacities that are needed to meet the partnership's objectives, and how to optimize both the quality and quantity of resources, skills and capacities that each partner brings to the initiative (Nelson & Zaldek, 2000). The discussion of partnership selection prompts the identification of the following success factors in this subsection:

- Selecting a partner that can contribute the most value to the partnership;
- Selecting partners with experience in the applicable field;
- Philosophical match between the private and public partners.

#### 4.2.2.20 *Managing risk*

The apparent preoccupation with the transfer of all PPP project risk from the public to the private sector, as advocated by, for example, the SA Treasury, would dictate that all risk management in a partnership should be performed by the private partner. It is however argued that the public sector may be better equipped to manage certain specific types of risk than the private sector is (UNDP, 2008). It therefore seems that the success of a partnership can be enhanced by ensuring that the different types of risk to which the partnership is exposed are assigned to the partner most able to manage it. The table below illustrates how different categories of risk can most appropriately be shared between the public and private sectors.

**Table 4-2: Risk Management**

Risk Category	Municipality	Private
Political risk	X	
Design risk		X
Construction risk		X
Operating and maintenance risk	Should give accurate info	Operating costs
Demand Risk	Should give accurate info	X
Tariff risk	X	X
Tariff collection risk		X
Credit risk		X

The table indicates that the public partner has a role to play in risk management by the private partner and therefore that the wholesale transfer of risk is seldom possible. Completion risk, for example, may be considered the risk of the construction contractor, but in reality it has many sub-components, including environmental clearances and the securing of the appropriate building and operating permits from local authorities (Plummer, 2002:226, 227). The partnership contract should include the most appropriate allocation of risks, to take into consideration that some risks are better managed by the public sector and some by the private sector. Allocating too many risks to the private sector can have a negative impact on the costs and even the success of the project (UNDP, 2008).

#### *4.2.2.21 Competition and monopoly*

When a private organization is given a monopoly – for example, to provide electricity or a telephone service – regulation by the government is generally necessary to prevent abuse. Typically, this regulation covers the prices that may be charged and the standards of service that have to be met. Regulation is also necessary when services (such as road maintenance) are contracted out. Here, detailed specifications must be prepared and a thorough system of inspection must be in place to ensure that the works are completed in accordance with the specifications. Thus, regulating and supervising private suppliers can give rise to substantial administrative problems (Roth, 1987:xiv). The insights from the discussion bear the following success factors:

- Regulation to prevent abuse;
- Detailed specifications;
- Evaluation system (which could include inspection).

#### *4.2.2.22 The skills set required*

Municipal efforts to encourage partnership initiatives will be affected by the human resource capacity of the municipality.

*Unsurprisingly, evidence from case studies in various parts of the world strongly suggests that the greater the capacity, the more likely a municipality is to succeed in developing and sustaining effective partnerships. The paradox*



*is that those without capacity – those most in need of support from the private sector – are likely to find partnership furthest from their reach. (Plummer, 2002:259)*

The skills required for partnering, as identified by Plummer (2002) include a strategic and practical understanding of the problem and context as well as a strategic understanding of solutions. The strategic and practical understanding of the problem and context will be supported by a basic understanding of the operating context for service partnerships (macro-economic, political, policy, administrative) and an understanding of poverty and the perceptions of the poor, the limitations of existing service delivery mechanisms and the limitations of the regulatory framework (Plummer, 2002:262–263).

A strategic understanding of solutions will require a strategic understanding of partnerships in urban governance, a basic knowledge of financial arrangements and a strategic understanding of risk management as well as an understanding of the nature, capacity and potential of all actors. Perhaps the primary skill lacking in the “traditional” municipal organization is a strategic understanding of partnerships, their benefits and the opportunities they create. That is not to say there is not an awareness of the issues, but evidence does suggest that misinformation and preconception play key roles in forming councillors’ and administrators’ views, and attitudinal change is necessary to remove scepticism where it is not warranted. Conversely, there are some municipal managers who see partnerships with the private sector as the panacea to all municipal illnesses, and are unable to critically evaluate the pros and cons of private sector involvement in a particular context. There is little doubt that training in PPPs would assist municipal officials to make informed decisions that are more consistent with broader urban management goals. This will include, for example, the ability to select options – to identify appropriate alternative options for a diverse range of municipal functions, to evaluate private sector participation (PSP) options and to compare them with other forms of delivery (Plummer, 2002:263–265). The following success factors emerge from the discussion in this subsection:

- Strategic and financial skills within the public sector partner;

- Strategic understanding of partnerships within the public sector partner.

#### 4.2.2.23 *Evaluating Outcomes*

Partnership success will depend significantly on the implementation of methodologies for the measurement and evaluation of partnership processes and outcomes against common and individual agendas. Flexibility and a willingness to allow adaptation of the partnership's purpose, participants or process in response to evaluation or changes in the external context will also be a contributor to partnership success (Nelson & Zaldek, 2000). Success factors identified in this subsection:

- Confirm each partner's individual goals;
- Confirm the collective goal of the partnership;
- Measure performance against the partners' individual and combined goals;
- Flexibility in terms of renegotiating outcomes based on changing conditions.

In the next section the fourth focus area of partnership literature will be investigated in the search for success factors.

### **4.2.3 Focus area 4: Success factors related to Network Governance**

The concept of network governance and the characteristics of PPPs are so closely aligned that one could almost ask whether it is necessary to have separate names for these approaches to government. In their book "*Governing by Network*", Goldsmith and Eggers (2004) repeatedly refer to networks as partnerships and vice versa. In his foreword to their book, Kettl describes the growing reliance of government on service delivery systems that may get mandates from government but is performed outside government.

*"...if government has become ever more reliant on its network-base partnerships (author's emphasis), we certainly have not figured out how best to make them work: how to make them administratively effective and how to hold them politically accountable."* (ix)

Based on these and other comments it is justifiable to say that the need for network governance is a result of the increasing delivery of public services by private entities

(through, amongst other vehicles, partnerships) and the related management and coordination challenges this brought. It would be possible to say that network governance is a type of partnership but also an aid to partnerships, and that the public official involved in partnerships would need to be proficient at network governance to increase the prospects for success of the partnership. If one was to hold a conservative and perhaps even cynical opinion on network governance, one could say that through the shrinking of government brought about by new public management and its focus on the privatization of public services, government has now lost so much of its previous capacity that it needs emergency measures such as network governance just to fend off the imminent implosion of the private/public service delivery complex. It could also be argued that partnerships were “advertised” to give government access to private sector skills which were said to be inherently better than public sector skills, but now that many partnerships have been formed and government stripped of its capacity, there is a call for another partnership type to solve the problems caused by partnerships. The repeated emphasis by Goldsmith and Eggers on the need for highly skilled (and highly paid) personnel in the public sector to manage the networks can also be seen from a cynical perspective to be counter to the original promise of PPPs to provide access to expertise and simultaneous savings.

In answering such allegations some critical success factors for partnerships will become part of the discussion and will be captured for further use in this dissertation. The first point will have to be that in public management the problem at hand has to be solved and it adds no value to agonize about shifts in policy and dogma. The fact is that the landscape of public service provision has changed drastically (irreversibly, according to Goldsmith and Eggers [2004]), that there is a risk of overwhelming complexity, and that measures should be put in place which can absorb this complexity. From a partnership perspective, these measures would have to be “better partnership management” by the public sector and Goldsmith and Eggers see Network Governance as the solution. A second point is that any argument that public-private partnerships would work well without considerable skill being resident within the public sector, is based on misconception and fairytales. The public partner in a partnership must have advanced skills and knowledge to ensure partnership success. The need for high quality human capital is therefore not a new requirement

from Network Governance – it was already a requirement for normal public-private partnerships as illustrated in the previous section. The private sector skills to be accessed would be around service delivery, while the public sector skills would have to address service design and provider management. Thirdly, savings are still possible through partnerships even if the possibility of savings may diminish if public sector participants in the partnership receive pay increases. The realization of savings depends on many more factors than the pay level of the public sector official involved in the partnership. Goldsmith and Eggers (2004:180–188) posited some broad principles “for public innovators to keep in mind as they embark down the path of governing by network.” These principles are also applicable to partnerships and can be viewed as success factors for partnerships:

- *Focus less on programmes and more on public value.* This means that the first concern should be what public outcome must be produced, and only then to address how best to solve it.
- *Don't get lost in the fine print.* Networks need to be managed around key values and performance objectives, not simply by the fine print of the contract.
- *Money is a tool, not the tool,* for forming networks. Besides money, public leaders have an entire tool kit of assets that they can draw on to bring together partners.
- *The perfect is the enemy of the good.* The goal is not to build a perfect system – failures are to be expected – the goal is to make meaningful enhancements to the status quo.
- *Develop a new set of core competencies.* As more and more agencies forge partnerships with third parties, agency performance will largely depend on how well the partnerships are maintained. To achieve high performance in this environment, governments will need to develop core capabilities in a host of areas where today they have scant expertise. Three of the most important of these capabilities relate to conceptualising the network, integrating it, and developing effective knowledge-sharing practices across the network.
- *Downsize and upsize simultaneously.* Government will need fewer people overall – particularly at the lower and middle levels – but more highly skilled individuals at the top. Goldsmith and Eggers warns that as governments shift

over from producing public services to managing providers, it will have to invest in the best and brightest and not the cheapest skills to avoid enduring “the continued project failures and billions of dollars’ worth of wasted tax dollars that go along with poorly structured public-private partnerships”.

These points will all be summarized at the end of this section under critical success factors identified. In the remainder of this section additional factors that could contribute to partnership success and that were identified in literature on network governance will be indicated. Public sector skills will first be discussed. This will be followed by a discussion of the flexibility / transparency / accountability nexus.

*Public sector skills required for partnership and network government.* Proponents of network governance profess that government reforms over the last 50 years have worked assiduously to “professionalize” or specialize work and tightly manage information. These proponents believe that effective network governance requires something other than specialization: it requires more public employees with a broad knowledge of processes and organizations and a deep appreciation of the importance of open information to a continuously learning organization. It is the opinion of Goldsmith and Eggers (2004) that these skills, the skills required to succeed in a networked economy and government, are quite sophisticated. This opinion is supported by others, as indicated in the quote below.

*The kinds of skills involved in orchestrating a high degree of collaboration between the public and private sectors are very high-level skills. They’re similar to those needed to be an investment banker, a venture capitalist, or senior-level consultant. They don’t come cheap. (Donahue, 2004, cited in Goldsmith & Eggers, 2004:171–172).*

Goldsmith and Eggers relate how a senior official appointed to the US Department of Interior in 2001 as Assistant Secretary found a dearth of capacity in the areas of contract and network management, business and transactions (Goldsmith & Eggers, 2004:172).

*When we'd sit down at the negotiations table with the concessionaires and contractors, there wasn't equal knowledge. We had to bring in a consulting firm to just help us even the playing field. Most of our staff was scientists, ecologists – people with knowledge of the lands and water. (Goldsmith & Eggers, 2004:172)*

With the Department of Interior increasingly reliant on partnerships to run its operations and meet its policy goals, it was felt that the capacity gap could result in failed partnerships. Measures that were implemented to rectify the situation included a strategic human capital plan aimed at recruiting people with skills in conservation and communication and collaboration and cooperation. An internship programme was also set up to bring in business skills (Goldsmith & Eggers, 2004:173). The opinion in the network government field is therefore that government needs people with new network skills, and it is believed that these collaborative skills are currently neither highly sought nor valued by government. There is a belief that as government (apparently inevitably) moves more and more to a networked model, effective governance will depend on attracting individuals that are supposedly different from those currently employed in the public sector. According to Goldsmith and Eggers (2004:178), building such a capacity requires not only far-reaching training and recruitment strategies, but a full-blown cultural transformation: it requires changing the very definition of “public employee”. A few of the characteristics that these new networking-proficient public employees should have as part of their make-up includes:

- Good network management skills: Very organized, strong oral communication skills, think creatively, highly adept at resolving problems, know how to create win-win situations;
- Private sector experience: Government needs more, not fewer, people who have worked for the private sector. It is harder for people who have never been in the private sector to understand fully the needs and motivations of their network partners. Government needs more employment opportunities, and more career paths, that allow managers to move more easily between the public, private, and nonprofit sectors and to take on projects for well-defined projects;

- The ability of public managers to act as connectors between stakeholders in partnerships;
- Experience of team-based project oriented environments;
- Good listeners;
- Leading by example;
- Understanding the big picture;
- Working with indirect and negotiated control;
- Bridge-building and boundary-spanning; and
- Deal with continuous change (Goldsmith & Eggers, 2004:165–175).

While governing by network demands more skilled people at the higher levels of government, the gap between the opportunities outside government and inside government for these kinds of individuals have been argued to grow daily (Goldsmith & Eggers, 2004:178). Recognising the skills shortage, PartnershipsUK was created by the British central government to improve government's capacity to conduct public-private partnerships, while the Dutch government created a PPP centre within its Ministry of Finance with a similar purpose (Goldsmith & Eggers, 2004:173–174).

*The flexibility / transparency / accountability nexus.*

Flexibility is seen as both a requirement for and a characteristic of network governance. A network that blindly enforces original contract stipulations despite shifting circumstances can restrict the potential of a network (Goldsmith & Eggers, 2004:148), but suggestions to ignore or skirt contract requirements will (hopefully) cause some discomfort and nervousness among most public officials. Where changes in contract details are required in order to adapt to changing circumstances a dynamic but fair process occurs more frequently when the original contract pays sufficient attention to the underlying values and provides clarity about broad goals (Goldsmith & Eggers, 2004:149). The adaptation to environmental factors relates to adaptive management. Adaptive management furnishes a useful tactic for managing the tension between flexibility and accountability. First adopted in the environmental sector, adaptive management provides partners with flexibility in the goals and the methods they select to achieve them. In this model, progress is measured by

continuous feedback and evaluation during the programme, instead of by a checklist of performance targets at the programme's conclusion. The US state of Hawaii's Executive Office on Ageing used adaptive management as its accountability tool when it formed a network of public, private, and non-profit providers to improve end-of-life care for Hawaii's terminally ill and low-income elderly. The initiative, *Kokua Mau*, enabled elder care and end-of-life providers to share resources for the benefit of clients and their families. The Office of Ageing's management model gave network members "permission to change the objectives when the wrong questions have been asked." By routinely re-evaluating performance measures, partners could ask programme managers to adjust outcomes to meet more realistic goals and permit individual providers to use money where it is most needed rather than funding efforts in ineffective programming areas (Goldsmith & Eggers, 2004:150).

The Office of Ageing maintains focus on a consistent vision and mission but manages vendors as true partners, constantly massaging the metrics. Information gleaned from regular measurement and evaluation of performance indicators and action can either result in programme management changes or reinforce existing positive outcomes. For example, programme managers noticed that after several months of speeches by members of the hospice speakers' bureau, *Kokua Mau* had raised awareness of hospice programmes and increased the referral rate of clients by 40 percent. Thanks to *Kokua Mau*'s adaptive management model, providers used their discretion to channel more resources into the speakers' bureau because it produced better outcomes than some originally funded activities intended to increase client referrals (Goldsmith & Eggers, 2004:151). Adaptive management might be seen as a practice with a high risk of falling prey to corrupt practices. It could be argued that too much flexibility could erode accountability and that it would be in the interest of all parties to carefully balance flexibility and accountability. If such a balance cannot be found and accountability is overemphasized, the network will lose one of its most useful hallmarks: its flexibility.

Network managers should bear in mind that networks may include government partners – often from different agencies – and since networks often depend on market mechanisms to manage resource flows, network rules should apply equally to both internal and external partners. Specifically, internal government service costing

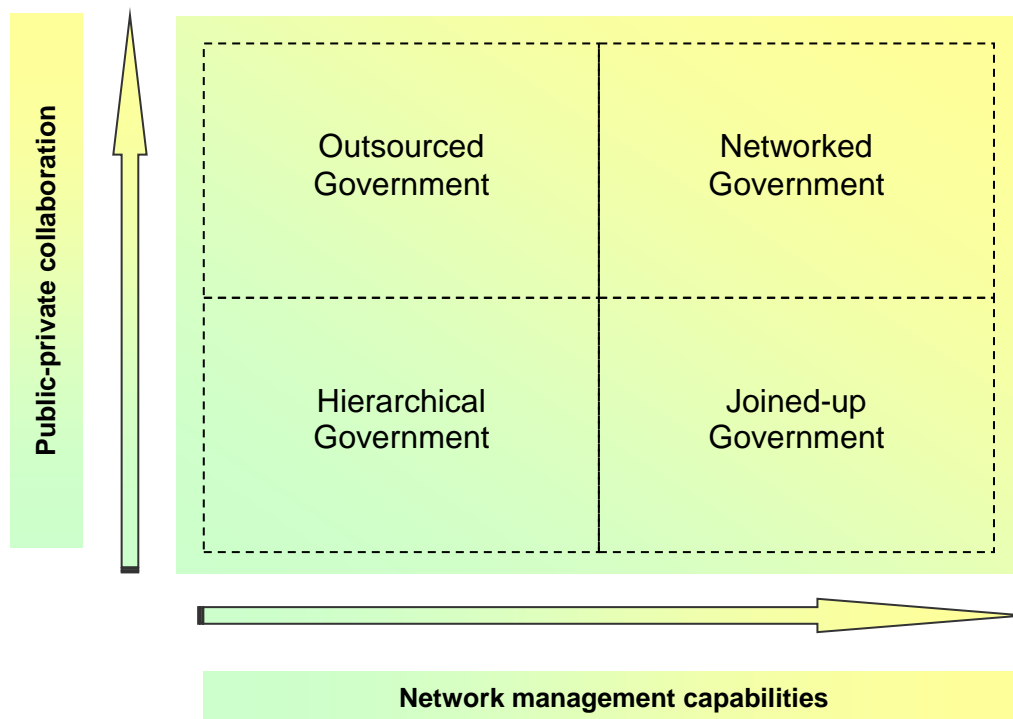


should be transparent, and quality and performance standards should apply. Further, participation in the network should be construed in terms of partnership, not bureaucracy.

*We do a fine job of monitoring contractors. We make sure that they have the number of employees they say they have, that their pencils are sharpened, and that their forms are filled out correctly, what we don't do a good job of is evaluating the contractors' performance.* (Goldsmith & Eggers, 2004:147)

Commentators believe that this problem of contractor or partner performance evaluation is not wholly insurmountable. Customer satisfaction data could, for example, be used to monitor performance (Goldsmith & Eggers, 2004:147). Any successful partnership requires an investment in time and resources, and the return on that investment should be a factor in the decision to enter into a partnership. In investment terms the expected return required to make the investment is sometimes too low in the public sector. By the same token, exit strategies are not exercised enough. Too often government accepts mediocre performance in the belief that replacing a partner creates too much disruption. The exploration of the network governance focus area has provided various insights into critical success factors which will be listed below.

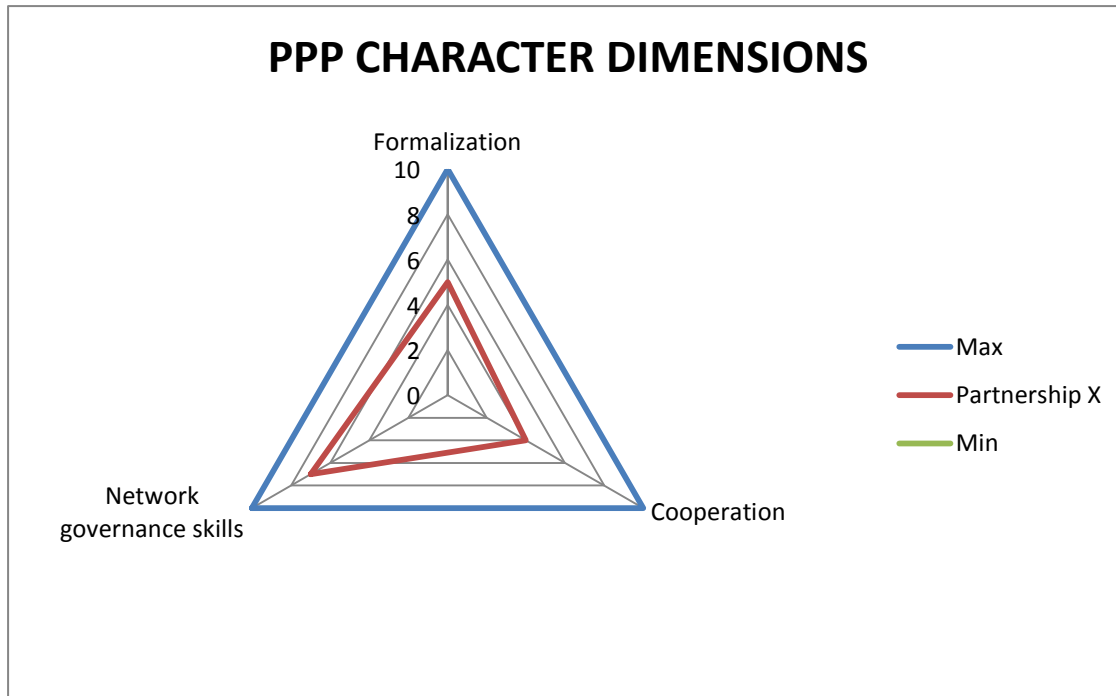
It is now opportune to further expand upon the discussion of the character dimensions of partnerships started in Chapter 2. From the discussion of network governance presented in this section, one could identify an additional two character dimensions of partnership, being the level of public-private collaboration and the level of network management capabilities. These two dimensions are illustrated as a continuum with two axes in the figure below, and four categories of government are identified by Goldsmith and Eggers (2004).



**Figure 4.2: Models of government (Goldsmith & Eggers, 2004: 20)**

The collaboration dimension can be equated with the cooperation dimension already identified in Chapter 2, but network management capabilities, is a new dimension. The four government typologies identified above exhibit varying degrees of network management and collaboration. Hierarchical governance can be likened with the traditional public management approach that keeps the private sector at arms length and is more comfortable in a departmental silo than in a network where boundaries have been broken down. Joined-up government could, in the South African context, be seen as cooperative governance where extensive networking happens inside the public sector while excluding the private sector, but could also be equated with the well-known manifestation of “old boys’ clubs” where public servants collude and manipulate for their common benefit. Outsourced government would be characterized by extensive use of the private provision of public services to the extent that government could be seen as abdicating its role of protector of the public good. Finally, networked governance can be seen as a governance model where networking crosses the border between public and private sectors and partnership is the default mode of service delivery.

In the figure below the additional character dimension is added to those already identified in earlier chapters. A fictional “Partnership X” is used as an example to illustrate how a partnership could be characterized by assigning values to its character pertaining to each character dimension.



**Figure 4.3: PPP Character dimensions (Updated)**

In this subsection the network governance focus area was explored to identify critical success factors for PPPs. The success factors identified in this section include:

- Public sector human capital in the fields of contract and network management;
- Capacity should be balanced in a partnership;
- People with a collaborative mindset;
- Strategic human capital plan to acquire the correct skills;
- Acquire new governance skills set;
- Establish support mechanisms / partnership enablers;
- The public sector needs private sector experience;
- Focus on the required public outcome;
- Manage flexibly around key values and performance objectives;
- Use all available resources, not only monetary, to bring partnerships together;
- Aim to make meaningful enhancements to the status quo;

- Develop core competencies (including conceptualising the network, integrating it, and developing effective knowledge-sharing practices across the network);
- Invest in skills and competencies;
- Structure partnerships for success.

The success factors mentioned above are reflective of a public sector perspective on network governance, in other words it says what the public manager should be focusing on and is therefore particularly useful for the aim of this dissertation. This dissertation is focused on the public sector and the public manager that needs to decide when to use partnerships as a tool for service delivery. There is also an intention to make some suggestions on what factors would most contribute to the possible success of a partnership. It is therefore opportune to search for critical success factors identified in public governance literature; as will be done in the next section.

#### **4.3 SUCCESS FACTORS IDENTIFIED IN PUBLIC GOVERNANCE LITERATURE**

As the constant role-player in PPPs, the public sector as representative of the “public” should have some clear ideas about what would make a PPP successful and which factors would overcome the potential organizational, legal/technical and political barriers to partnership. One would thus surmise that the broad body of knowledge encompassing current understanding of what has over time been known as bureaucracy, public administration, public management, new public management and more recently, public governance, should have a considerable body of valuable perspectives on success factors for public-private partnerships. In this section various strands of argumentation from recent thinking in public management will be discussed, starting with the public management reform debate.

##### **4.3.1 Success factors and the Public Management Reform Debate**

The components of the public management reform paradigm include: a commitment to providing high quality services that citizens value; giving public sector managers increased autonomy to acquire and manage resources; rewarding them for meeting demanding operating targets; providing the resources, human and technological, that

they need to meet those targets; and, “a receptiveness to competition and an open minded attitude about which activities should be performed by the public sector as opposed to the private sector” (Borins, 1997, cited in Jones & Thompson, 2007:11).

#### **4.3.2 Reform**

Organizational transformation through reform typically begins with what is referred to as restructuring. Restructuring is seen as the first step in the process of public management reform. To restructure an organization initially entails defining all of the skill areas and work processes where an organization has special or unique skills and knowledge, that is, its core competence relative to the capability of other organizations. Secondly, restructuring requires an assessment of those core competence areas that fit within its overall mission and objectives. Thirdly, under restructuring the organization contracts out noncore competence work that needs to be done to fulfil its mission to other organizations, including those in the private sector that have comparative advantage in the specific competence and can make the competence its core competence. The comparative advantage of contractors may lie in the superior quality of their products or services, or may be the result of an ability to produce products or services at lower costs with no loss of quality (Jones & Thompson, 2007:97). Finally, restructuring meets its goal only where the organization then eliminates everything else that does not contribute value to the services and products delivered to the citizens and stakeholders served by the organization.

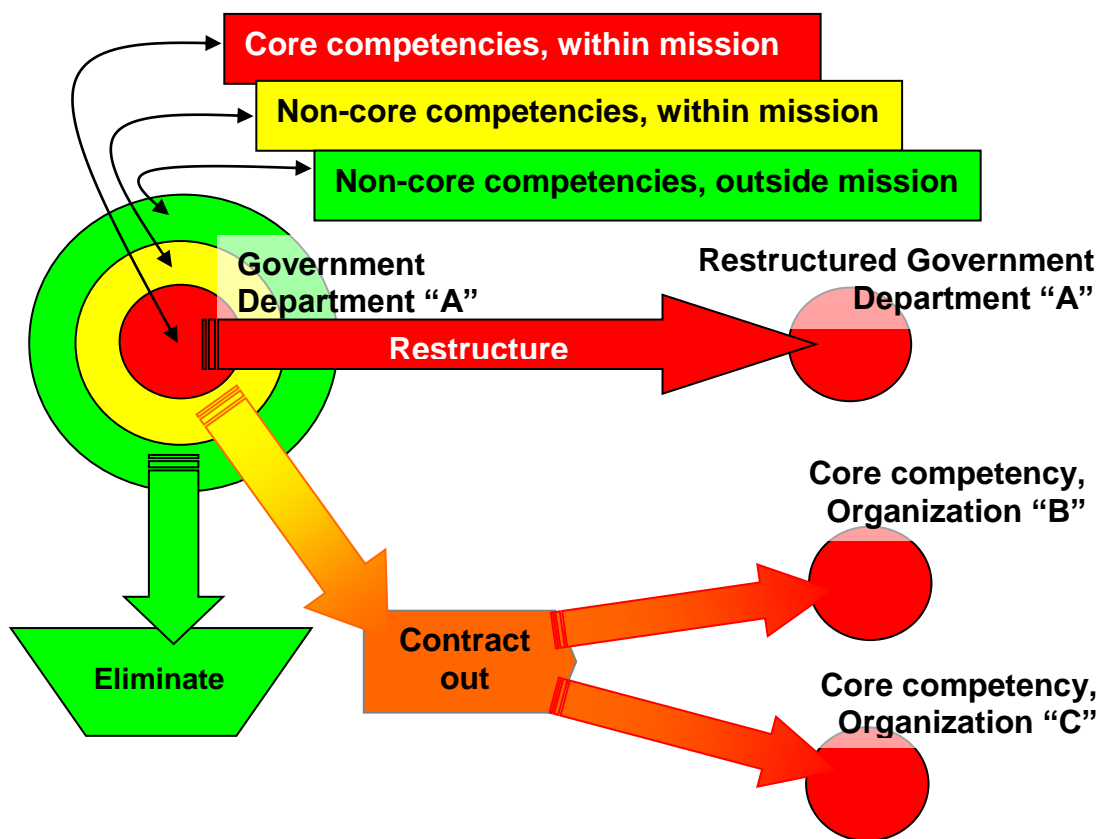


Figure 4.4: An understanding of public sector restructuring, based on Jones and Thompson (2007)

At the beginning, restructuring requires a careful assessment (typically a reassessment) of the mission and objectives of the organization, an evaluation of the organization's strategy relative to its target markets for products or services, the definition of criteria for determining core competencies, and value engineering to define what work materially contributes to mission and goal achievement, and the extent of this contribution. Restructuring demands a comparison between the costs and performance of work performed by the organization and that of potential alternative service suppliers. This step is essential to decide whether to contract out, or whether a service or product should be supplied by the organization at all. And, because restructuring requires cost and performance comparison, activity based-cost analysis, or what is termed responsibility accounting in the public sector must be employed to permit such comparisons to be made. Responsibility accounting, budgeting, and management control are techniques or methods that enable the organization to define its core competence and costs of product and service

production. Restructuring may result in significant “delaying” or flattening of organizational structure and considerable delegation of authority, responsibility and decision making on day to day operations to levels of the organization closer to its constituency. (Jones & Thompson, 2007:98)

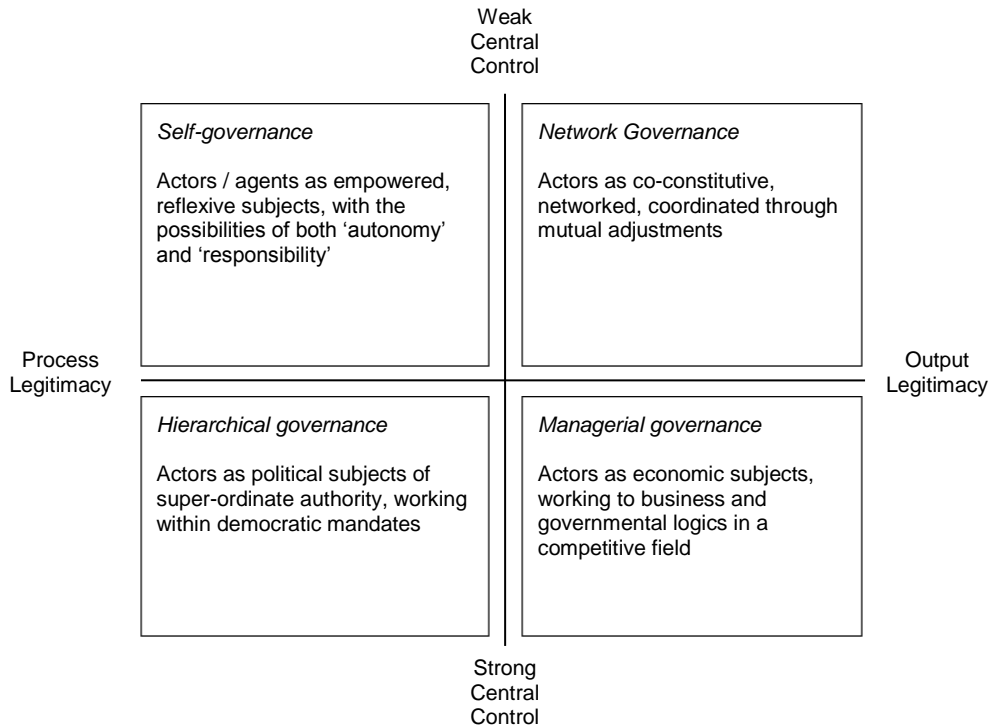
It could be argued that such delaying may remove any vertical integration benefits that might have been reducing transaction costs before restructuring. Vertical integration refers to a firm’s ownership of vertically related activities. The greater the firm’s ownership and control over successive stages of the value chain for its product, the greater its degree of vertical integration (Grant, 2005:392). Where a vertical relationship between companies requires one or both companies to make investments that are specific to the needs of the other party, a market contract will tend to be inefficient in coordinating the activities of the two parties. These inefficiencies arise from the negotiation and enforcement of contracts, including bargaining, monitoring, investing in activities whose only purpose is to improve bargaining power, and dispute resolution. These are key sources of transaction costs. The basic case for vertical integration is that by bringing both sides of the transaction into a single administrative structure, transaction costs may be avoided (Grant, 2005:395).

Jones and Thompson (2007:94) conclude that there can be no single theory or set of managerial prescriptions to guide the strengthening of performance in the public sector, whether positive or normative, that is sufficient for all times or circumstances. Any institutional arrangement has the potential to improve upon another. Conclusions about the utility of new organizational and institutional governance arrangements depend essentially upon a comparison of information costs under each of the alternatives. The information revolution has dramatically transformed information costs and, thereby, the relative efficacy of various institutional arrangements to deal with crises, threats and changes in markets. Many of the consequences of these changes can be lumped together under the rubric of performance and results based management. Inevitably, these changes will refashion the institutions of government and public management and, perhaps, even the nature of the state itself. Jones and Thompson (2007:93) argue that the public management reform debate has framed new questions. “What role should the nation-

state play as but one player in a new architecture of governance where networks of organizations comprise more effective problem solving entities than single governments? New organizational forms such as hyperarchies, flatter and more decentralised entities with greater delegated authority and responsibility and faster learning-adaptation-action cycles appear likely to be more effective than traditional bureaucratic organizations to manage networked programmes (Jones & Thompson, 2007:93). This can be seen as an argument for PPPs to meet new challenges.

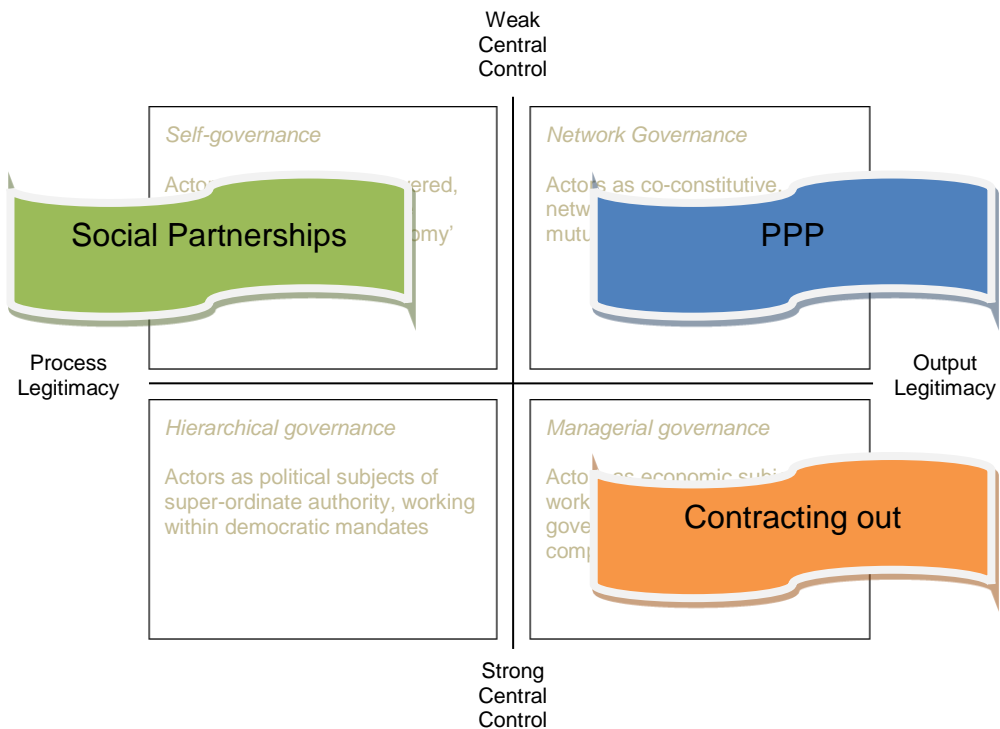
Recent debate has seen a considerable theoretical shifting in the understanding of the nature and extent of the public sector and of “publicness” with opposing arguments suggesting either a contraction or an expansion of the responsibility of the public sector (Newman & Clarke, 2009). The global economic collapse experienced in 2008 and 2009 has prompted some commentators to see it as a confirmation of the failure of the market and a confirmation of the need for more state intervention in the market. This flies in the face of the New Public Management movement which has very actively advocated smaller government with less involvement in the economy and more private sector involvement in the delivery of public sector services. It does seem as if it will not be possible to move away from the need for the state, for bureaucracy, for the public sector, and for practicing good governance at that. During periods of instability, the costs of administration within large, complex firms tend to rise as the need for flexibility and speed of response overwhelms traditional management systems (Grant, 2005:391).





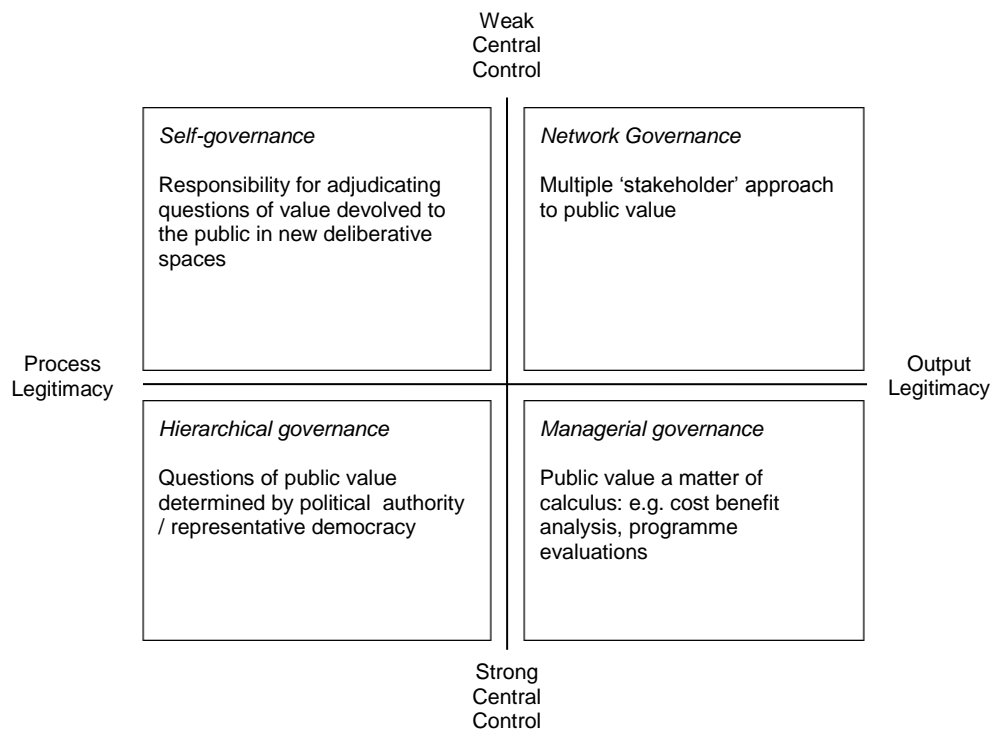
**Figure 4.5: A control and legitimacy matrix indicating governance types**

Where do different partnership types fit on this matrix? PPPs can possibly be seen as leaning towards the Network quadrant, while contracting out is more managerial and social partnerships lean more towards the self-governance quadrant.



**Figure 4.6: Governance types related to procurement and partnership models**

The relevance of the matrix to the topic of this dissertation is that it can provide clues as to the skills set required to ensure the best possible chance of success for a partnership. One could for example locate needs for contract management in the managerial governance quadrant and community participation facilitation skills in the self-governance quadrant. In the following figure, the quadrants are linked to the question of who determines public value.



**Figure 4.7: A control and legitimacy matrix considering the origins of public value**

With the benefit of the preceding discussions, the following success factors can be identified from this section:

- Government must be sure of what it wants;
- A comparison of the costs and performance of work performed by the organization and that of potential alternative service suppliers;
- Cost of product and service production must be determined;
- A comparison of information costs under each of the alternatives;
- Good management characteristics - leadership and interpersonal relationships;

- Clear direction;
- Clear division of responsibility of functions;
- It must be a real partnership, with shared burdens and shared rewards for both the public and private participants;
- There must be real incentives for the private sector or they will not participate, or there must be a reasonable expectation that there will be private sector interest because of a potential market;
- The public-sector must use its resources effectively and judiciously, focusing on projects where there can be success;
- Keep it simple for the private-sector by minimizing the bureaucratic procedures that can cripple a project;
- Remember that "Land is King"--it provides the public with the opportunity to control the projects;
- Public-private partnerships are a necessary and important part of the process;
- Choose the one that meets all the criteria;
- And is politically acceptable;
- And is do-able viz-a-viz Labour. (Aiello, 2001; Cuorato, 2002; McQuaid, 2000:22–25)

In the next section success factors emerging from collaboration literature will be discussed.

#### ***4.4 SUCCESS FACTORS FROM PRIVATE SECTOR COLLABORATION LITERATURE***

There is a significant body of literature devoted to collaboration in the private, commercial sphere and this area was identified as a potential source of information on critical success factors for PPPs. Private-private collaboration must hold some lessons for public-private collaboration in the form of partnership and can be related to the Network Governance concept described elsewhere in this chapter.

Collaboration is closely linked to vertical integration between entities up- or downstream of each other in value / supply chains. Grant advocates that decisions about vertical scope are no longer binary choices of “make or buy.” There is a

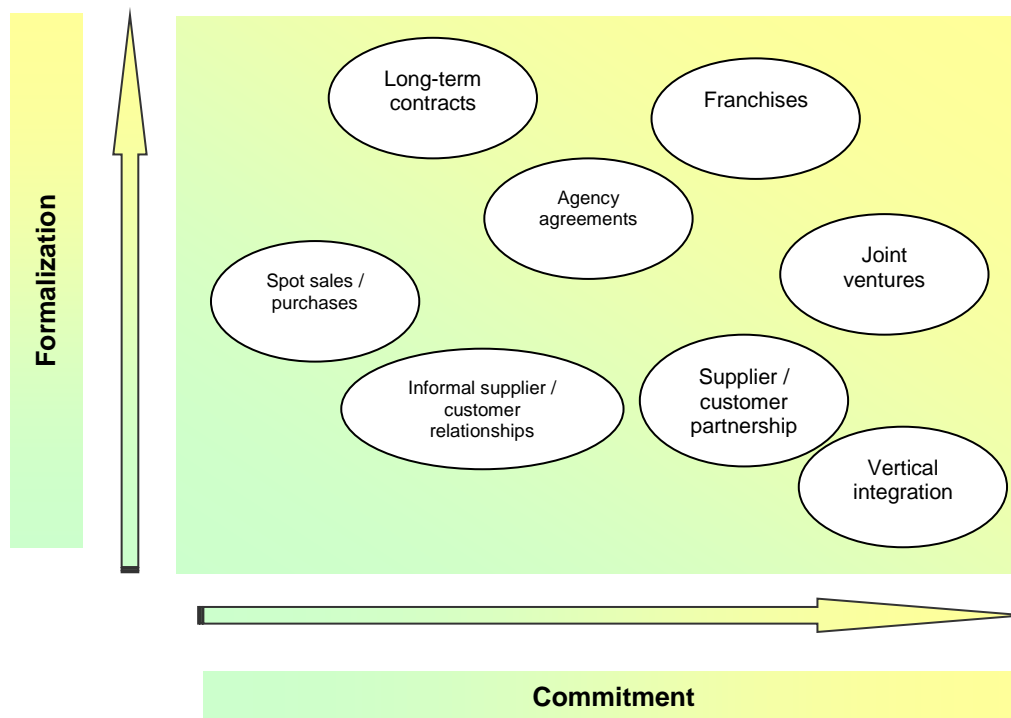
spectrum of vertical relationships that lie between the polar cases of pure market contracts and full vertical integration. Even within particular organizational modes, there are many different ways in which vertical relationships are managed. In recent years, the trend has been a growing diversity of intermediate vertical relationships that have attempted to reconcile the flexibility and incentives of market transactions with the close collaboration that is typical of vertical integration (Grant, 2005:387).

*The idea of vertical integration is an anathema to an increasing number of companies. Most of yesterday's highly integrated giants are working overtime at splitting into more manageable, more energetic units – i.e. de-integrating. Then they are turning around and re-integrating – not by acquisitions but via alliances with all sorts of partners of all shapes and sizes (Peters, 2005, cited in Grant, 2005:387).*

Although collaborative vertical relationships are viewed as a recent phenomenon – associated with Silicon Valley and Japanese supplier networks – closely-linked value chains in which small, specialist enterprises collaborate are a long-time feature of craft industries in Europe, India and elsewhere. These collaborative vertical relationships are evident in the industrial districts of northern Italy – notably in textiles, packaging equipment, and motorcycles. The success of Japanese manufacturing companies with their close collaborative relationships with suppliers – including extensive knowledge sharing – has exerted a powerful influence on American and European companies over the past two decades. There has been a massive shift from arms-length supplier relationships to close vertical relationships with fewer suppliers. Long-term collaboration and single-supplier agreements have increasingly replaced competitive tendering and multiple sourcing. Most large manufacturers have drastically reduced their number of vendors and have introduced supplier certification programmes as frameworks for quality management and technical collaboration (Grant, 2005:404).

The shifting boundaries between firms and markets is a central feature of economic organization. In the capitalist economy, production is organized in two ways: in markets – by the price mechanism – and in firms – by managerial direction. The relative roles of firms and markets are determined by efficiency: if the administrative

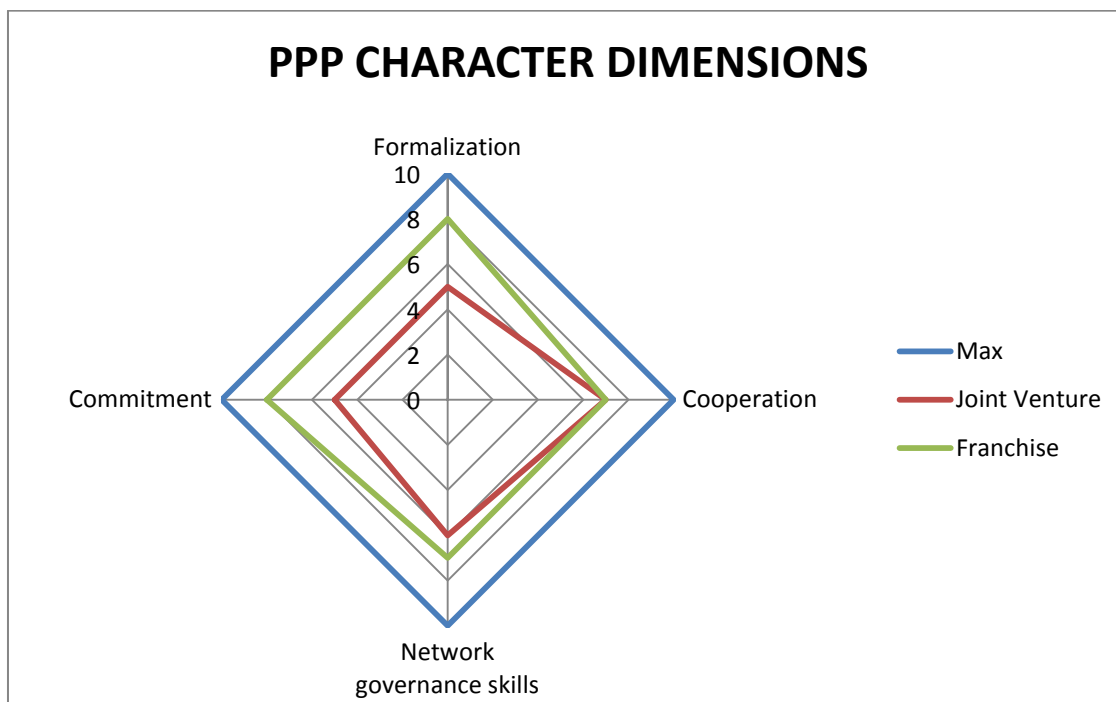
costs of firms are less than the transaction costs of markets (as occurred in the English textile industry after the introduction of the factory system), transactions will tend to be organized within firms rather than across markets (Grant, 2005:189).



**Figure 4.8: Different types of vertical relationships**

The figure above presents a continuum with two axes, formalization and commitment, and indicate the categories of relationships that can occur between entities. This figure has been adapted from Grant (2005:401), with the formalization axis turned around to increase upwards instead of downwards as originally presented by Grant. The relationship types identified were shifted to reflect this new arrangement. The adaptation was made to reflect the direction of growth in dimensions used in other similar figures in this dissertation. The typology of relationships presented here introduces one new dimension of partnership character. Formalization has already been identified as a partnership character dimension in Chapter 2. Commitment presents a new dimension which is sufficiently different from other dimensions already identified to be considered on its own. The partnership character dimensions already identified are indicated in the figure below, and two relationship types that were indicated in the figure above have been inserted and scored in each dimension

of partnership character in order to show how different partnership types can be scored and compared.



**Figure 4.9: PPP Character Dimensions (Updated)**

The two chosen partnership types have similar scores in the cooperation dimension, but differ somewhat in the remaining three dimensions. It should be noted that these assigned scores are just for illustration purposes and not intended to be accurate reflections of the nature of each partnership type at this stage. It should also be borne in mind that two similar types of partnership (for example two JV's) could score differently on each of the axes, depending on the unique character of each specific partnership.

#### 4.4.1 Value, rewards and risk

Welborn and Kasten make an important contribution to the vocabulary on partnerships when they use the terms of Value and Reward in relation to collaboration. They state that *Value* is what a partner brings to the partnership, while *Reward* is what the partner gets from the partnership. All partners in a collaboration, in theory at least, will bring value to the collaboration and will expect reward from the partnership. The three key elements of effective collaboration identified by Welborn and Kasten, (2003:53) are to:

- Create the value;
- Share the rewards;
- Manage the risks.

Value and rewards have been discussed above, which leaves risk. Risk and the allocation of risk is also emphasised in many definitions of PPPs. Collaborations are considered as inherently risky and potentially costly, but the risk exposure is acceptable to the parties in the collaboration because collaborations are pragmatic responses to continually drive vitally important innovation in uncertain market environments (Welborn & Kasten, 2003:51, 53), which contributes to the longer term survival of each of the parties in the collaboration. Efficient collaboration is the ability to manage distributed risk (Welborn & Kasten, 2003:55) which could include intellectual property leakage.

#### **4.4.2 Process steps**

The process steps in collaboration include: finding partners; creating a collaborative relationship; collaborating to create value; and closing out the collaboration (Welborn & Kasten, 2003:77).

#### **4.4.3 Building collaboration**

There are as many reasons for organizations to collaborate as there are business conditions that drive organizations to choose to collaborate or not (Welborn & Kasten, 2003:80). It would be beneficial for an organization planning to participate in collaborations to create a “value port” where the organization can expose parts of its business and where collaboration can take place. This would likely translate into some sort of organizational nodal point for partnering. Shared knowledge and understanding becomes more scalable and cheaper when knowledge is codified, so the degree of codification is an important measure of the readiness of an organization to collaborate often, rapidly, effectively, and efficiently (Welborn & Kasten, 2003:56). This codification concept is illustrated in the table below.

**Table 4-3: The codification concept - Welborn and Kasten's Semantic Stack (2003:78–101)**

	Tacit	Framework	Standards	Executable
Environment (The competitive context of tacit actions)				
Behaviours / Values (Making visible invisible actions)				
Roles / Metrics (Judging performance quality)				
Business Processes (where activities of people are combined to create particular business outcomes)				
Applications				
Architecture / Platforms				
Connectivity				

In the table, codification increases from left to right and the state of codification is named in the top row. The more codified the information and processes in the collaborating organizations, the more scalable and executable by many the processes become. The vertical axis represents domains of interaction. Welborn and Kasten give seven domain names but agrees that this is not the last word on the names or the number of domains (2003:80). The domains describe sets of activities performed by participants in a collaboration (Welborn & Kasten, 2003:81). The blue blocks denote the progress of a specific collaboration towards the desired fully codified and collaborative state where mutual reward is generated. One could consider several different candidate collaborating organizations and map them individually on this matrix for comparison purposes and thus discern between organizations that are, to varying degrees, prepared for effective and efficient collaboration. The table is applicable to technology companies, but the message for PPPs is clear: cooperation is more efficient if the organizations participating in a partnership have recorded and standardized or codified all the domains of interaction between them to an advanced stage.

One public sector disadvantage is the possibility of the diversion of labour from the collaboration to other projects / priorities which become more important to a specific decision-maker, which reveals a “lack of attention span” on the side of government. This risk will need to be mitigated, and how well it is mitigated will have an effect on the successes of a partnership. Continued cooperation can be encouraged by making deflections from cooperation more expensive (McQuaid, 2000:28–29). An additional critical success factor emerging from this discussion is the need for accurate time assessment to reduce the possibility of a loss of appetite for the



partnership on either side. One can also build cooperation by “increasing the shadow of the future”: increasing the importance of the future relative to the present may aid cooperation (McQuaid, 2000:28–29). Frequent individual interaction aids stable cooperation. This can be encouraged by binding people in long-term multi-level relationships through organization and hierarchies, thus increasing the number and importance of likely future interactions. Constantly changing personnel / responsibilities may discourage cooperation (McQuaid, 2000:28–29). A gradual building of trust can be achieved through reciprocal cooperation, learning from strategic alliances in commerce and industry, and noting that cooperation is not incompatible with competition (sports leagues can be taken as an example) (McQuaid, 2000:28–29).

There is also need for favourable local characteristics, including not only a will to cooperate, but also the capacity to make a meaningful contribution: Capacity building is required to enable local communities to participate in economic-development initiatives (McQuaid, 2000:28–29). A mutualist strategy of marshalling external and internal stakeholders with organizational relationships which transcends traditional lines of authority, creating complex structures which contrasts with a hierarchical management structure and is effective for a public agency in responding to turbulent environments in which needs are rapidly changing and where collaboration is required to respond (McQuaid, 2000:28–29). Partnerships and joint ventures are more likely to succeed if they are seen as precursors to more intimate cooperation, rather than as finite activities. Holding back and own-interest behaviour is more likely if the relationship is likely to come to an end (McQuaid, 2000:28–29). Meaningful collaborations require that each participating body exposes and shares parts of its key competencies and core value with the other participants – possibly competitors. Welborn and Kasten (2003:37) call this the intimacy of the collaborative relationship. A high degree of intimacy, equivalent to putting something of high value to the collaborating company at risk, requires a high degree of comfort.

If government seeks to transfer risk from itself to its private partner in the establishment of PPPs, the risk of intimacy that government must carry in order to collaborate optimally, as described in the previous paragraph, may not be acceptable to government. It is also necessary to consider transactions costs and the build-or-

buy decision in the collaboration paradigm and relate this to innovation. Innovation is a particular case of a transaction that can occur either inside a firm or with other firms in a market environment. It is to be expected that it would be less expensive for a firm to create a new product by using its own internal resources than by buying such new products and the right to market them from another firm in an open market where it has to compete against other willing buyers. The cost difference between market transaction and internal transaction is the reason why firms exist. Ronald Coase, 1991 Nobel Laureate, articulated the dynamics of transaction cost in 1934 (Welborn & Kasten, 2003:47–46). If transaction costs prompt collaboration and the establishment of firms in order for these firms to minimize their exposure to transaction costs, then transaction cost can also promote the establishment of PPPs. This subsection has focused on the building of collaboration. The building of collaboration is directly applicable to ensuring the success of PPPs and illustrates how the potential partners, public and private, should be approaching partnership.

#### 4.4.4 The collaboration continuum

Collaborations can range from stable to dynamic, and from less intimate to more intimate. A collaborative landscape can be constructed by combining these two continuums into a two-axis diagram as indicated below.

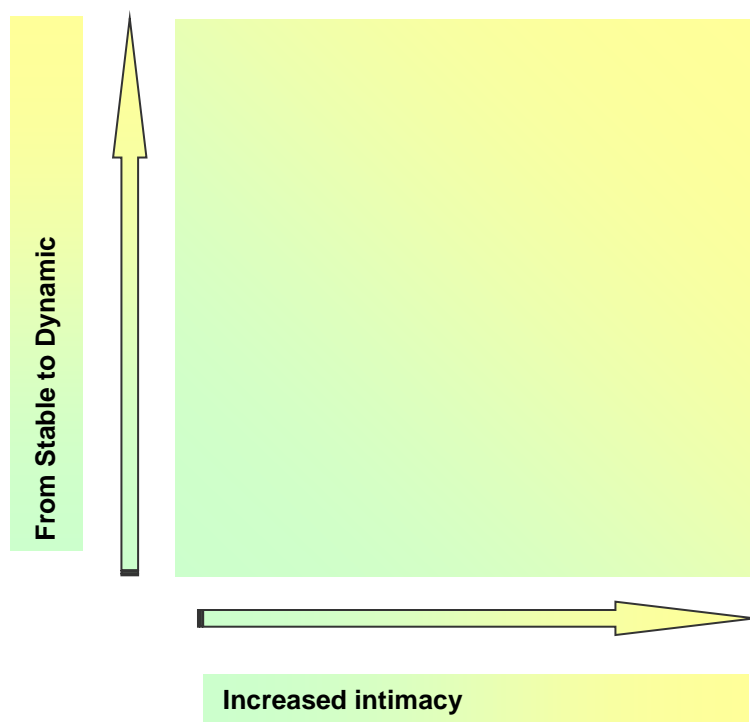


Figure 4.10: The collaborative landscape

This collaboration continuum introduces two new dimensions to partnership character, being Dynamism and Intimacy. In the figure below these two new dimensions are added to those already identified.

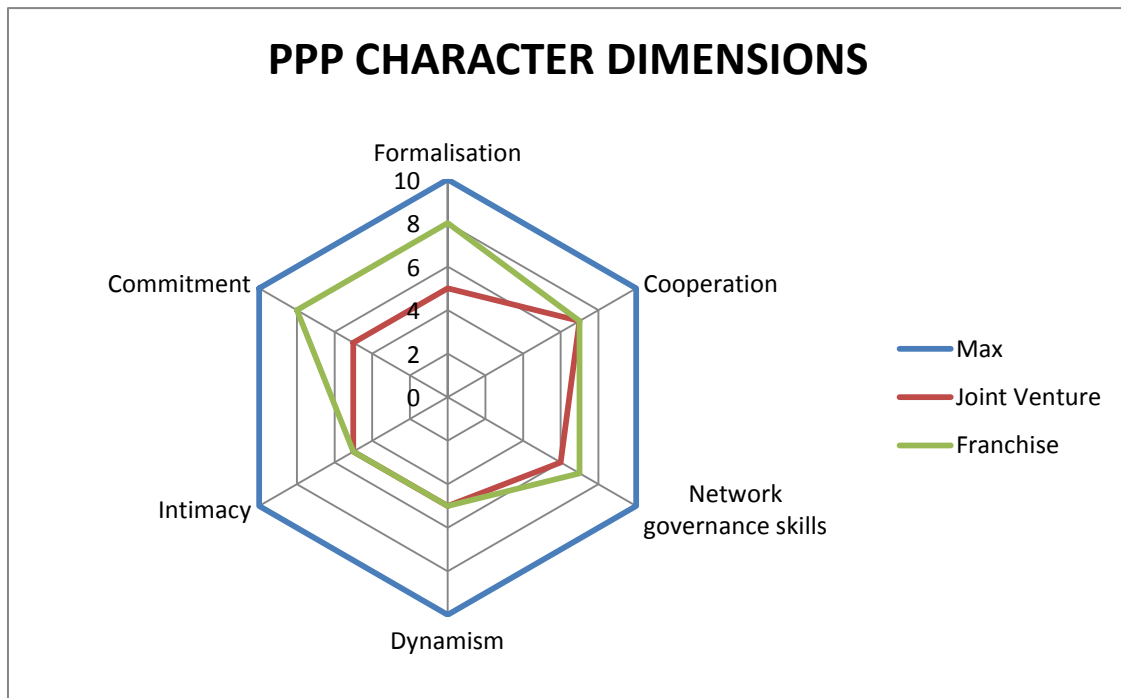


Figure 4.11: PPP Character Dimensions (Updated)

#### 4.4.5 Success factors identified

Critical success factors for collaboration between commercial entities from Welborn and Kasten (2003:53, 56, 79, 99, 229) as well as points on leveraging cooperation from McQuaid (2000:28–29) include the following:

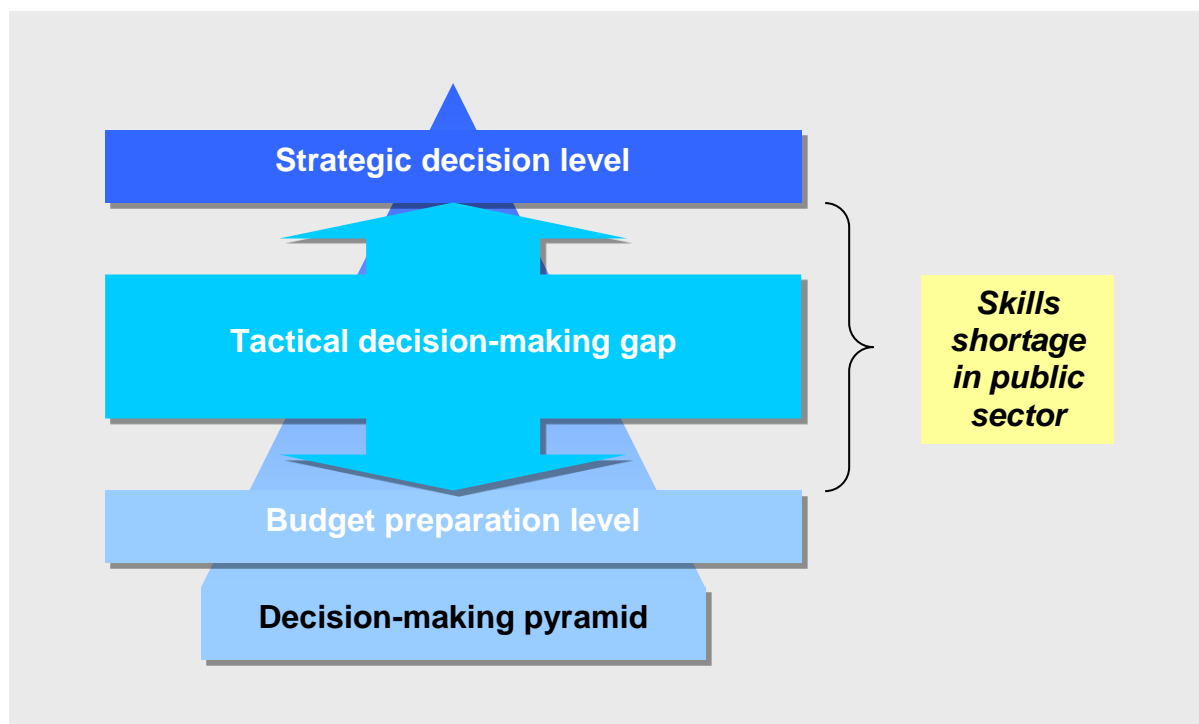
- Shared experiences in field;
- Similar cultures;
- Cultures that embrace collaboration;
- Similar measurements of success;
- Business processes that work together (for example monthly payment versus invoicing quarterly);
- Shared applications (for example software);
- Similar technologies;
- Shared communication channels;

- Need to have “shared semantics”;
- A separate collaborating body outside of the collaborating entity where a full member of a company collaborates with members of other companies to innovate;
- A well-developed shared vocabulary;
- Reduced transaction cost - the time and cost of establishing collaborative relationships.

In the next section success factors from entrepreneurial studies will be highlighted.

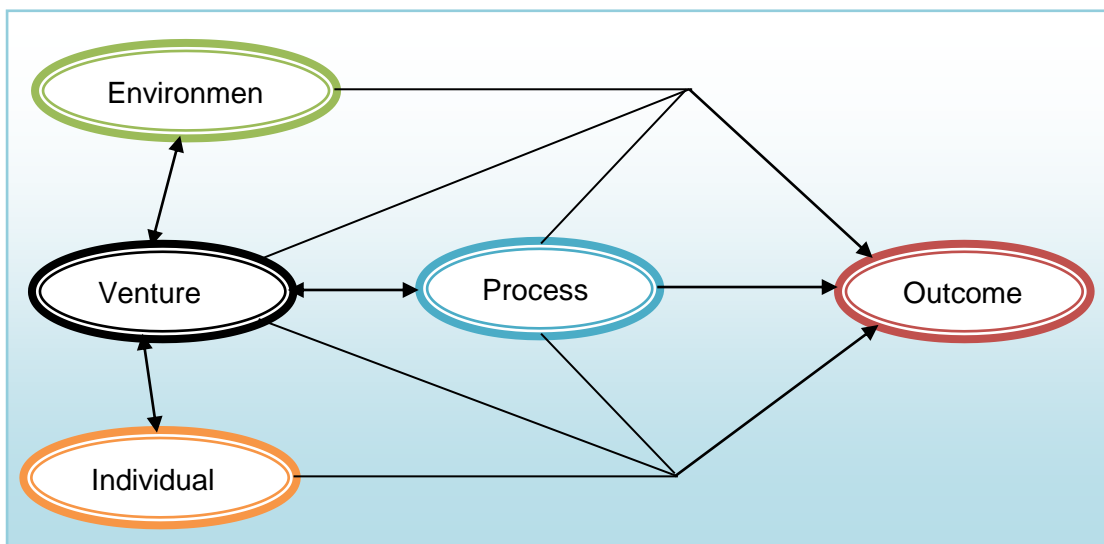
#### 4.5 **SUCCESS FACTORS IDENTIFIED IN ENTREPRENEURIAL STUDIES**

This section seeks to identify critical success factors for partnerships from entrepreneurial studies. The reason why entrepreneurial studies specifically are investigated is the fact that the formation of a partnership can be seen as an entrepreneurial activity. Institutional entrepreneurship relates to the tactical decisions that are needed to bridge the gap between strategy and budget levels.



In the figure above, the tactical decision-making area indicates the space in which entrepreneurship is required. If one feels that the success rate of PPPs is low, one

should investigate the success rate of other new ventures – which is also low. In the next subsection, lessons from the new business venture body of knowledge will be used to derive critical success factors for partnerships. A case can be made out that partnerships are like new business ventures / new firm startups. The field of entrepreneurship studies, which focuses on new venture startups, should therefore yield important success factors that can be applied to partnerships. In organising the analysis of new firm startups, Per Davidsson (2006:xii) distinguished five components of the new venture startup phenomenon as well as the relationships between these components. The components are: Environment, Venture, Individual(s), Process and Outcomes – as illustrated in Figure 4.12 below:



**Figure 4.12: Components and possible relationships of the new venture startup phenomenon (Davidsson, 2006:xii)**

If one follows Davidsson's line of argument, one could conclude that a positive outcome for a new start-up (such as a partnership) should depend on:

- Environment;
- Venture;
- Individual(s);
- Process; and finally
- Relationships between these components.

*The environment* refers to the context in which the new start-up firm, which could be a partnership, finds a reason for existence, is created, functions and eventually is

disestablished. It is the environment that will exercise a moderating influence on the new venture because its environment will determine what is possible and how it can be achieved. An enabling environment will support a new partnership while an indifferent environment will limit the partnership. The new venture could of course seek to influence its environment to its own benefit – but only to the degree that it is allowed to influence the environment. *The venture* itself is in interaction with its environment, with individuals in the venture and in the environment and with the start-up process. All of these will contribute to specific outcomes. How the venture is conceived and governed will have a significant impact on its chances of success. The lesson for partnering is that care must be taken in putting the new organization together. *Individuals* and their characteristics could also influence partnership outcomes. Earlier discussions in this chapter have indicated that the interpersonal skills and other personality traits of the individuals or entrepreneurs involved in a partnership may have a significant influence on the success or otherwise of a partnership, and that this influence is largely unpredictable. It was further indicated that leadership, a concept linked to personality and entrepreneurship, plays a pivotal role in partnership success. Researchers in the field of entrepreneurship have tried to isolate personality types and other personal characteristics that could point to the potential of individuals to be successful entrepreneurs. One attempt has looked at psychological, socio-demographic and behavioural categories of business founders and arrived at a characterization that indicates level of experience, namely: 1) novice, 2) serial, and 3) portfolio managers (Ucbasaran, Westhead & Wright, 2001). This is rather disappointing in terms of trying to identify personality types that are good at creating new ventures, because levels of experience and past successes are not personality-specific. Put simply, if you have been good at creating new business ventures in the past, you should be good at creating business ventures in the future. This is not very helpful in isolating personality types more adept at creating successful new business ventures.

There is however continued interest in trying to look at personality as a predictor of successful entrepreneurship.

*The best evidence today suggests personality does explain some, albeit limited, percentage of the variance in inclination towards and success at*

*entrepreneurial endeavours such as founding a new firm (Davidsson, 2006:xvi).*

The personality approach can also be criticized. Davidsson (2006:xvii) is of the opinion that the personality approach over-ascribes outcomes to characteristics of individuals involved, creating the impression that entrepreneurs are “very special”. He believes that personality does not consistently determine or force behaviour into a specific direction. Davidsson argues that direct, strong and universal effects should not be expected from this type of variable and hence explanations based on them can never be particularly impressive.

*What the research actually suggests is that business founders are almost as heterogenous a group as any other group of individuals as far as personality and other personal characteristics are concerned.*

The findings, according to Davidsson, do not present a satisfactory mechanism for predictions concerning individual aptitude for entrepreneurial endeavours and it is impossible to tell with certainty whether a group difference in personality is a cause or an effect (or spurious). The usual comparisons of business founders with other groups confound at least three possibilities: differential propensities to engage in, persist in and succeed at entrepreneurial endeavours. Forbes (1999, cited in Davidsson, 2006:xviii) has suggested that at the individual level one should rather look at cognitive psychology than personality types, cognitive psychology being the psychology of thinking, information processing and decision-making. This opens up for studying the influence of situational variables and reduces the need to study only “Proven entrepreneurs” (Forbes, 1999, cited in Davidsson, 2006:xviii). Even so, Ucbasaran and others argue, due to heterogeneity of individuals and ventures along several dimensions, a straight comparison of their relative performance may not be the most relevant (Davidsson, 2006:xiii).

If predicting entrepreneurial success on the basis of personality is so difficult, it could be argued that trying to find partnership success factors in personality types cannot be successful and one should rather constantly ignore individual characteristics and look at other variables which are easier to quantify and work with. One could, for

example, decide to make the assumption that the best possible person is in the applicable position and then just focus on what else must be put in place to give the best opportunity for success. Put bluntly, one could decide to switch off the personality variable in the success equation and rather look at other factors. To ignore individual personal characteristics may however not be the best answer, especially since prior knowledge plays such a considerable role and has significant implications for the recognition of entrepreneurial opportunities by individuals. Another important factor related to individuals is that team and network diversity shows promise in inspiring innovation (Ruef, 2002; Stanworth J, Stanworth C, Ganger & Blyth, 1989). Individuals will remain important moderators of new venture startups and their capacity for entrepreneurship and leadership will have bearing on the success of partnerships.

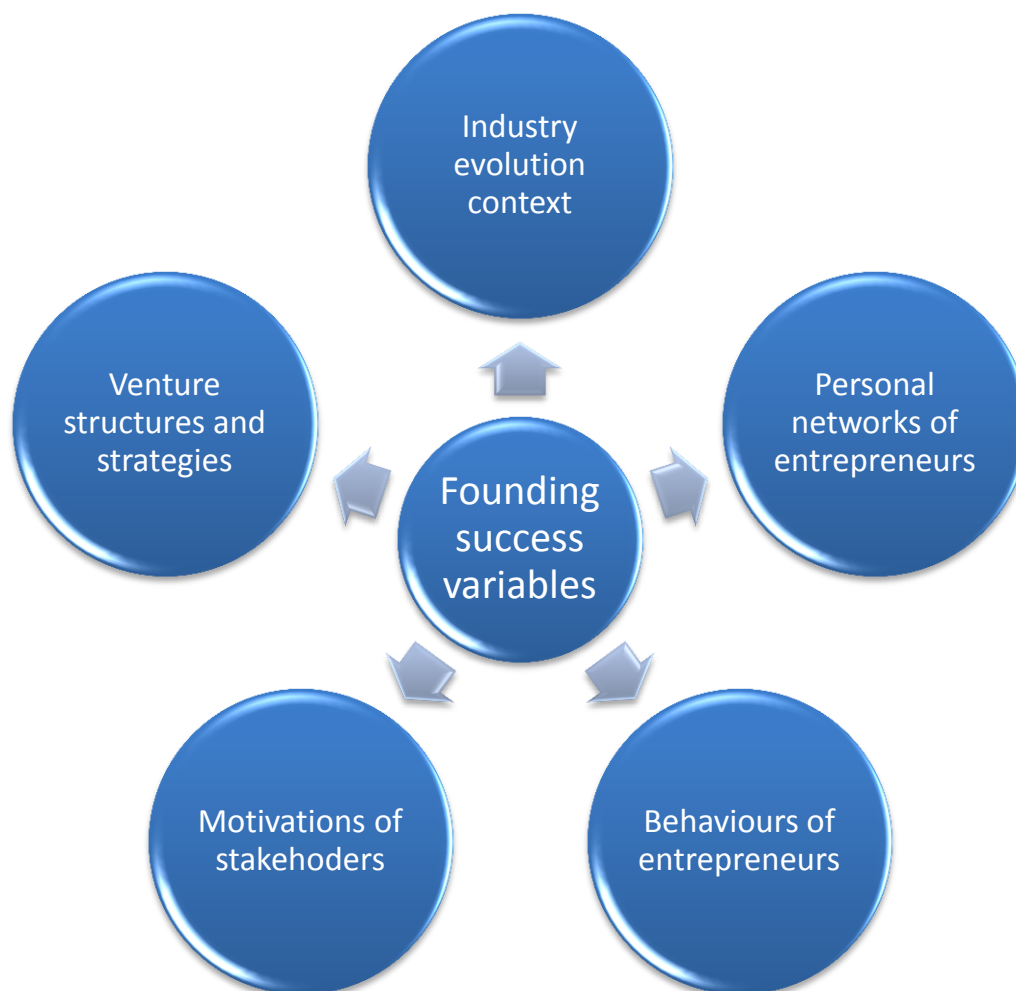
*The process* of new venture startup concerns discovery (opportunity recognition, information search) and exploitation (resource acquisition) (Ucbasaran *et al.*, 2001). From a partnership perspective it is thus meaningful to take a closer look at how opportunities for partnership are recognized and how information is gathered on those opportunities. Both the public and private sector should be sensitive to the environment in order to identify opportunities. As indicated above, the recognition of opportunities may be the result of previous experience and knowledge as well as individual personal characteristics and the implementation of decision-making processes. As discussed under Network Governance, the manager of a portfolio of partnerships and of relationships with third parties may be best placed to identify networking and partnering opportunities. Individual skills will also influence this aspect. The process of opportunity recognition could also be strengthened through the implementation of formal reviews of service delivery to identify alternative service delivery options. The exploitation of opportunities is the second major element of the startup process, and has much to do with the establishment of structures, the pulling together of resources including human capital, and paying close attention to environmental factors which should include stakeholders and the possible client base.

*The venture*, as described in the new venture start-up literature, refers to the institutional arrangements that are put in place, including resources, internal



processes such as decision-making and production / delivery as well as physical infrastructure, goals and objectives. A wide variety of organizational forms can result because, as Ucbasaran *et al.* (2001) state, new ventures are “definitely not only independent start-ups”. In the context of this dissertation, the venture would be a PPP. *Outcomes* represent the last component of the new venture start-up. It is also referred to as value creation by Van der Veen and Wakkee (2004). The value creation concept links with the idea of the production of public value by partnerships, but calling outcomes value creation could be premature judgement on the success of the new venture or partnership. Although there should certainly be an aspiration to create value, such an outcome is not guaranteed and cannot be assumed. Another noteworthy point is the question whether the future disestablishment of a new venture (or in keeping with the focus of this dissertation, partnership) signals failure or a negative outcome. According to Ucbasaran *et al.* (2001, cited in Davidsson, 2006:xiii), “*interpreting ‘discontinuance’ as ‘failure’ may be a very dubious practice.*” The overriding success measure should be determined by the nature of the outcome that is being pursued – it is quite possible that the continued existence and long-term “survival” of a new venture or partnership is not part of its objectives. This has the implication that the continued survival of a partnership does not automatically denote success, and that the ability to ensure survival is not a critical success factor for partnerships or any other new start-up.

An interesting perspective on new firm start-ups is that of Low and Abrahamson (1997) who propose that successful foundings are the result of a fit between five dimensions. These five dimensions are the evolution context of an industry, the personal networks of entrepreneurs, the behaviours of entrepreneurs, the motivations of stakeholders, and the structures and strategies that the emerging organizations pursue (Low & Abrahamson, 1997:141). The figure below illustrates this perspective.



**Figure 4.13: Variables that determine new venture founding success (Low & Abrahamson, 1997:141)**

Low and Abrahamson (1997) define an industry as a population of organizations of the same form. When they study industry evolution, they study the diffusion of a specific organizational form. For their purposes, organizations are of the same form if they use similar inputs and technologies, produce similar products, and serve similar customers (Low & Abrahamson, 1997:143). An industry evolution context can be characterized as Movements (emerging), Bandwagons (growth) or Clones (mature). The table below shows how the five dimensions interact with the different industry evolution contexts.

**Table 4-4: Configuration of generic organising processes (Low & Abrahamson, 1997:155)**

	Movements	Bandwagons	Clones
Context	Emerging industry: key challenge is to overcome lack of legitimacy	Growth industry: key challenge is to prosper amidst rapid growth and change	Mature industry: key challenge is to survive the competition
Entrepreneur Network	Strong ties to two or more non-overlapping networks	Weak ties	Strong ties
Behaviours	Informal confidence building	Formal confidence building	Combination of formal and informal confidence building
Stakeholders	Motivated by social factors	Motivated by instrumental factors	Motivated by combination of instrumental and social factors
Strategy / Structure	Market based / outsourcing Entrepreneurial / innovative	Combination of market and hierarchy Less entrepreneurial / some imitation	Hierarchy based Conservative / imitative

This dissertation is concerned with partnership success and as far as PPPs and other specific types can be seen as industries, the success-related message from Low and Abrahamson’s perspective is that the partnership management should realize in which industry evolution it finds itself and should then act appropriately to ensure a good fit with the 5 dimensions of organising processes. Insights from the preceding discussion allow the identification of the following success factors from this section:

- Build entrepreneurial skills;
- Improve capacity for tactical decision-making;
- Sensitivity to environment / context;
- Establish institutional arrangements with care;
- Appoint individuals with entrepreneurial experience and skills;
- Create teams with diversity to encourage creativity;
- Focus on discovering and exploiting partnership opportunities;
- Structure the venture with an outcomes focus;

- Achieve a fit between the industry evolution context, personal networks of entrepreneurs, behaviours of entrepreneurs, motivations of stakeholders, and the structures and strategies of the organization.

In the next section some additional perspectives on success will be explored.

## 4.6 OTHER PERSPECTIVES ON SUCCESS

### 4.6.1 Success factors from a Stakeholder perspective

There are certain conditions that will encourage stakeholders to support and use PPPs. The SA Treasury (Republic of South Africa, 2001:B6, A3) refers to four PPP stakeholders and mention conditions that would encourage these stakeholders to support and use PPPs.

**Table 4-5: Conditions that encourage partnership**

Stakeholders	Conditions that would encourage stakeholder support for- and use of partnerships
Government departments	PPPs must be an accessible, relevant, viable and beneficial service delivery option
Users of services	PPPs must result in accessible, affordable and safe services that meet acceptable quality standards
Society	PPPs must promote goals such as social equity, economic empowerment, efficient utilization of scarce resources, and protection of the environment
Private parties	PPPs must be sufficiently rewarding in relation to the investment required and the risks undertaken

These conditions can be seen as critical success factors for partnerships and has relevance to the different perspectives on the utility of partnerships that was presented in Chapter 2. The different perspectives bring the realization that the same partnership could be classified as a failure by one stakeholder while another stakeholder sees it as successful. Such different perspectives on success would also complicate performance measurement and the isolation of success factors.

As an example, one could say that a partnership aimed at raising public awareness of a specific social issue could be regarded as successful by the private partner that was successful in distributing 20 000 pamphlets to affected communities, but that the same partnerships could be seen as a failure by the NGO working in the communities if the NGO sees evidence that the pamphlets were not appropriate for the target audience, was not read or understood, and did not change behaviour or attitudes. It would therefore be necessary to have agreement on performance indicators between partners so that a shared opinion on success or failure can be formed. The first critical success factor emerging from this discussion is the need for shared and agreed performance measurement indicators that will enable a shared opinion on the success or failure of a partnership. Additional success factors can be derived from the conditions identified by the SA Treasury as encouraging different stakeholders to support partnerships. There is a slight difference in emphasis between promoting the idea of partnership as opposed to trying to make partnerships work. The conditions identified by the SA Treasury seem to fit more into the strategic marketing of the partnership concept and needs some rewording and re-alignment to make them applicable to the discussion in this section.

Government departments require PPPs to be accessible, relevant, viable and beneficial service delivery options. This *accessibility* of the PPP model relates to an enabling environment and support for public managers to explore and implement the PPP option. The *relevance* of the PPP option will remain part of the decision-making process where different service delivery options and vehicles are considered and there could be circumstances under which the use of a PPP will be a bad idea. The real issue related to relevance, is that PPPs should be chosen as delivery mechanisms only when the PPP model is appropriate to the circumstances. *Viability* of the PPP option will depend on accessibility and relevance, but also on other factors required to put any transaction and any infrastructure and any service-delivery organization together – factors which are too many to explore in this section. It is obvious that some form of viability assessment will need to be done before embarking on forming a PPP, and the results of this dissertation should be useful in such a viability assessment. Finally, the need for a PPP to be *beneficial* should be at the heart of the consideration made by government to decide on service delivery options. The SA Treasury condition is not clear on who should be benefiting from the

PPP but it is reasonably safe to assume that the Treasury would see a need that all parties to the PPP should benefit, that a win-win situation is engineered. The delivery of mutual benefit is therefore a critical success factor for PPPs.

Users of the services delivered through PPPs require accessible, affordable and safe services that meet acceptable quality standards. This condition listed by the SA Treasury brings a welcome output focus to the investigation of critical success factors. Services and products are *accessible* if they are easy to use and delivered in a manner and at a place which is convenient for the target market they are intended for. The issue of *affordability* is a constant source of criticism against PPPs from labour unions and civil society, who believe that services delivered through PPPs involving large private utility suppliers are almost always more expensive than the same service when delivered through governmental structures. Arguments for and against cost recovery also live in the discussions on affordability. In its simplest form, the affordability requirement means that cost should be kept as low as possible and that a PPP resulting in marked increases in user charges which significantly exceeds the cost of public delivery of the same service, will not be considered a success (See discussion on savings or efficiency gains that should offset cost increases at Figure 2.18 on page 107). That services should be delivered in a manner that is *safe* to users is clearly a non-negotiable requirement, a critical success factor that links to the triple bottom-line value requirement (economic, social and environmental) that this dissertation argues is applicable to PPPs. *Acceptable quality standards* may differ between societies and even communities, but the critical success factor emanating from this condition is that quality must remain a focus and that inferior products or services should not be tolerated. There is obviously room for performance indicators measuring quality in any assessment of the success of a PPP.

Society requires that goals such as social equity, economic empowerment, efficient utilization of scarce resources, and protection of the environment should be realized. This condition is linked to good corporate governance and the triple bottom line imperative which arguably applies to PPPs and requires that an enterprise must deliver positive economic, social and environmental results. Clearly a PPP will be held to higher standards in this regard than would any one of its constituting partners

acting on its own. Private partners in PPPs require sufficient reward in relation to the investment required and the risks undertaken. It is quite understandable that a private partner would want to be rewarded for work done and services delivered and that the private partner would want to make a profit out of its involvement in the PPP. How big this profit will be will depend on negotiations during the establishment of the PPP and will also depend on the efficiency of the private partner. There may be some cases where a private partner becomes involved from a purely social investment or corporate social responsibility perspective and wants no monetary benefit from the partnership. In these cases the private partner will still be interested in non-monetary return on its investment such as publicity, positive reputation enhancement or the accumulation of experience and expertise.

Discussion of the stakeholder perspective has produced the following identifiable success factors:

- Shared and agreed performance measurement indicators that will enable a shared opinion on the success or failure of a partnership;
- An enabling environment and support for public managers to explore and implement the PPP option;
- PPPs should be chosen as delivery mechanism only when the PPP model is appropriate to the circumstances;
- A pre-partnership viability assessment should be conducted;
- The partnership should deliver of mutual benefit;
- Delivery of services that are accessible - easy to use and delivered in a manner and at a place which is convenient for the target market they are intended for;
- Delivery of affordable services - cost should be kept as low as possible and should normally not exceed public provision costs;
- Services should be delivered in a manner that is *safe* to users;
- Quality must remain a focus and inferior products or services should not be tolerated;
- Goals such as social equity, economic empowerment, efficient utilization of scarce resources, and protection of the environment should be realized;

- Private partners must have the opportunity to be rewarded for their involvement.

In the next section the perspective on success factors as identified by a private operator within a PPP will be presented.

#### **4.6.2 Success factors from an Operator perspective**

The private operators that become involved in PPPs as the providers of services or the managers of infrastructure also have specific ideas about what makes for successful partnerships. The following success factors were extracted from a statement by a senior executive of Johannesburg Water Management:

- An experienced and competent private partner;
- Sound regulatory frameworks;
- Fair returns – this point relates to the reward expected by private partners;
- Integrated risk management - clear and fair balance of risks between the various parties;
- Satisfaction - the consumers, the decision-makers and the private partner all need to be satisfied; and
- Correct choice of partnership model – in this case the private operator prefers the concession model of partnership above further privatization (Plummer, 2002:22).

In the next section success factors from the perspective of a non-governmental organization will be discussed.

#### **4.6.3 Success factors from a Third Sector / Civil Society perspective**

According to the Mvula Trust, to function effectively, the partnership and the working environment require *clear objectives, policies and principles* before any work takes place. For an NGO working with a very different agenda, it is important to establish some rules on *transparency*. Despite the new management approach, when it comes to their own organization, the private sector can be very closed. But in partnership involving an NGO, some issues – such as the level of profit – need to be



transparent, or the NGO will feel uncomfortable being a party to the process. Similarly, it is important for government not only to *set up the regulatory environment and ensure a properly designed contract*, but to *oversee* how and when this is put in place. The private sector works the best, and most cost effective, when the *outputs are known and the process from beginning to end can be quantified*. More consideration needs to be given to the methodology for the procurement of private partners in ill-defined projects to avoid governments paying through their nose for the service that is being provided (Plummer, 2002:24).

The interpretation of the preceding paragraph produces the following success factors:

- Clear objectives, policies and principles;
- Transparency;
- Enabling regulatory environment;
- Properly designed contract;
- Government oversight;
- Known outputs;
- Quantified process;
- Robust procurement methodology that ensures value for money;
- Well-defined projects.

#### **4.6.4 Success factors from a Project Management perspective**

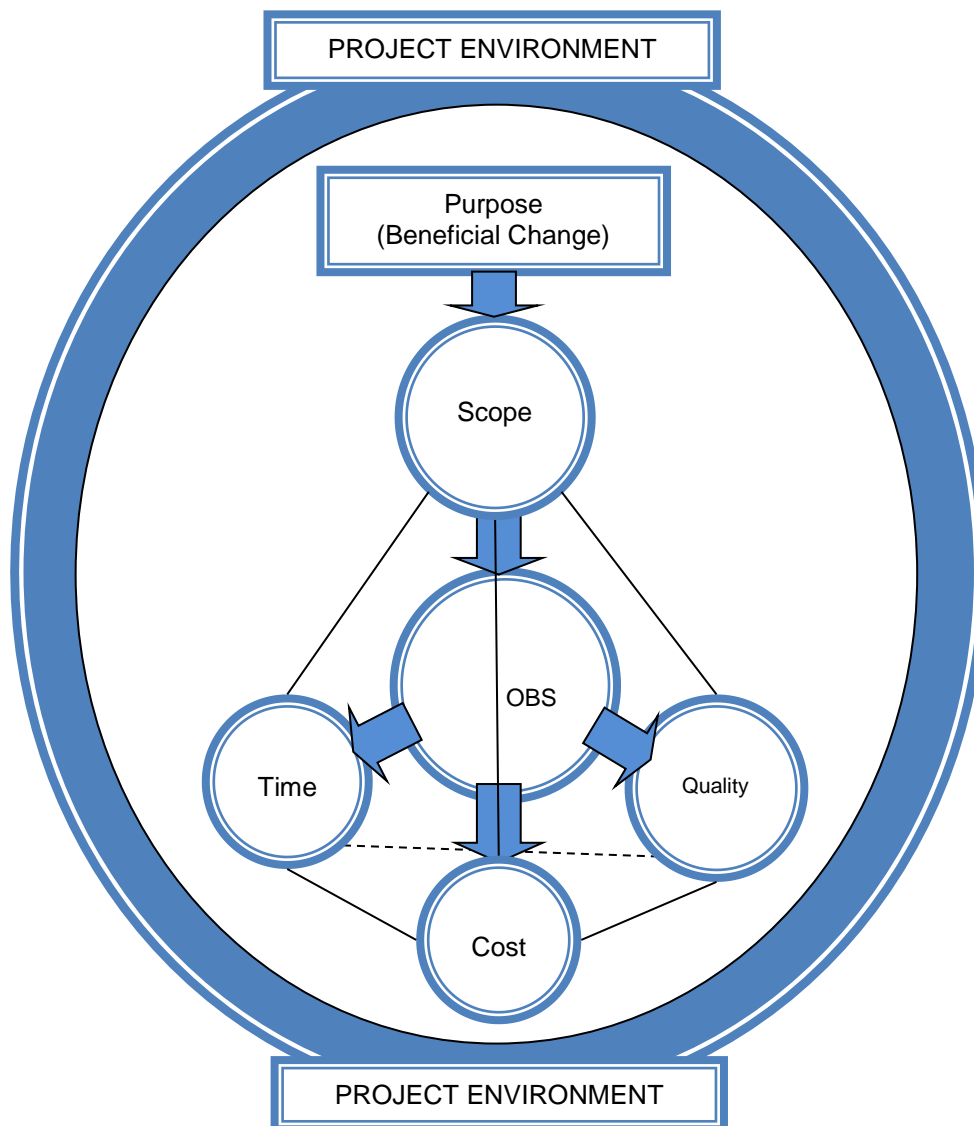
PPPs are typically established for the purpose of specific projects and could therefore in themselves be regarded as elements of projects. The life cycle of a PPP, as described in Chapter 2, is similar to that of a project or programme. When performance evaluation is discussed later in this dissertation, the stage that a PPP has reached in the PPP life cycle and project life cycle will become an important framework for the evaluation of success. The normal categories of project risk will also apply to PPP projects, and the normal risk mitigation measures instituted in project management could also mitigate against the failure of a PPP. Such risk mitigation measures can be considered as success factors for PPPs.

Partnerships closely resemble projects and therefore the project management body of knowledge should contain many applicable lessons regarding success factors for

partnerships. There is however one possible central difference between partnerships and projects, and this is the single point of responsibility that is so central in project management best practice (Burke, 2007:25). In partnerships each partner possibly has a single point of representation while the partnership as a whole, if it is a real partnership, does not have a single centralized leadership but rather a collegiate leadership.

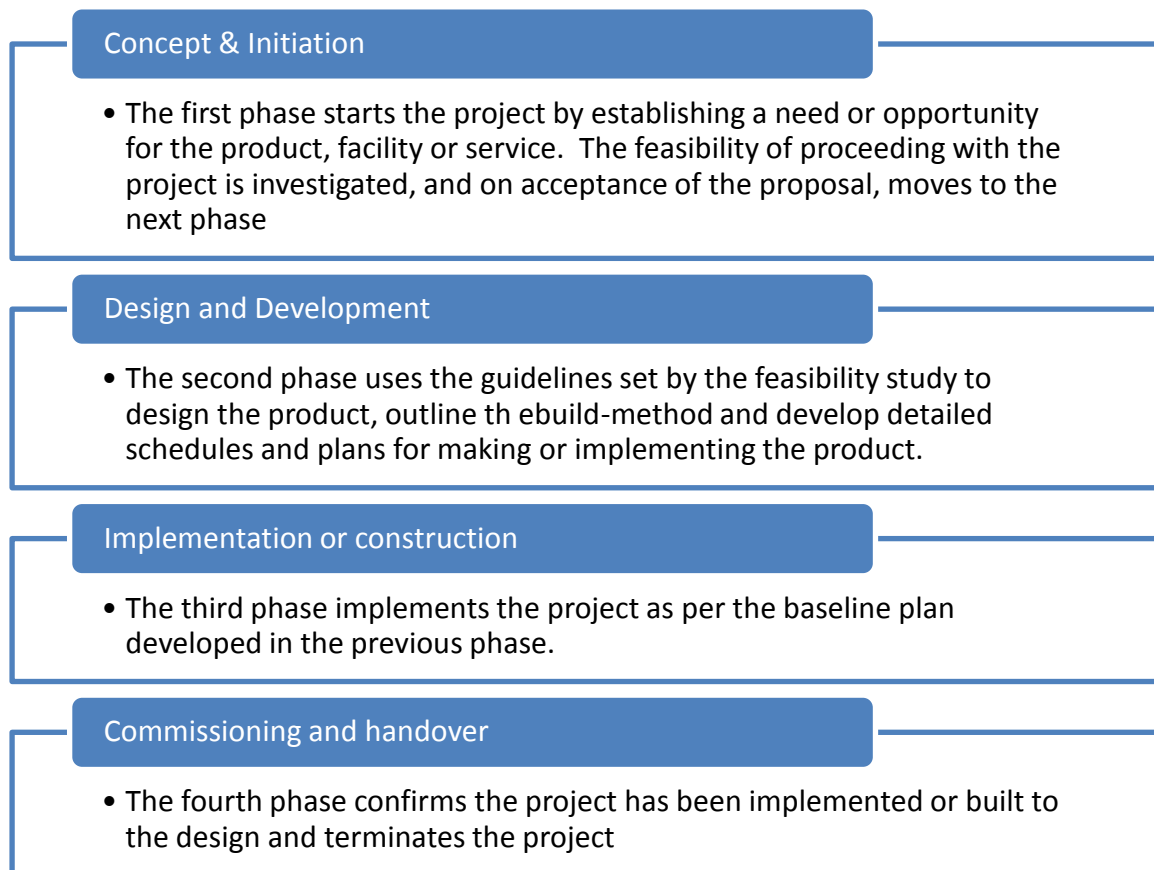
Burke (2007:35) is of the opinion that matrix organization structure (an organization type where human resources are controlled by specialization leaders as well as project leaders at the same time) have become synonymous with project management and that such a structure might also be appropriate for partnerships. Some clear recommendations for partnership projects from the project management body of knowledge becomes apparent when Burke (2007:36) argues that the 1970s saw a high failure rate in public sector projects due to poor project definition (scope management); poorly defined project organization structure (matrix structure), and failure to consider the impact of external factors (environment / stakeholders).

The project environment model of Burke, illustrated below, adds the traditional understanding of projects as interactions between purpose, scope, time, cost and quality to a new understanding that the organizational structure of the project (he calls this the OBS – Organization Breakdown Structure) is central to project management and that projects occur within a project environment which will affect the project to a greater or lesser degree. Burke believes that the model encourages project managers to look at the bigger picture and consider all the stakeholder's needs. These are valuable learning points for partnership projects.



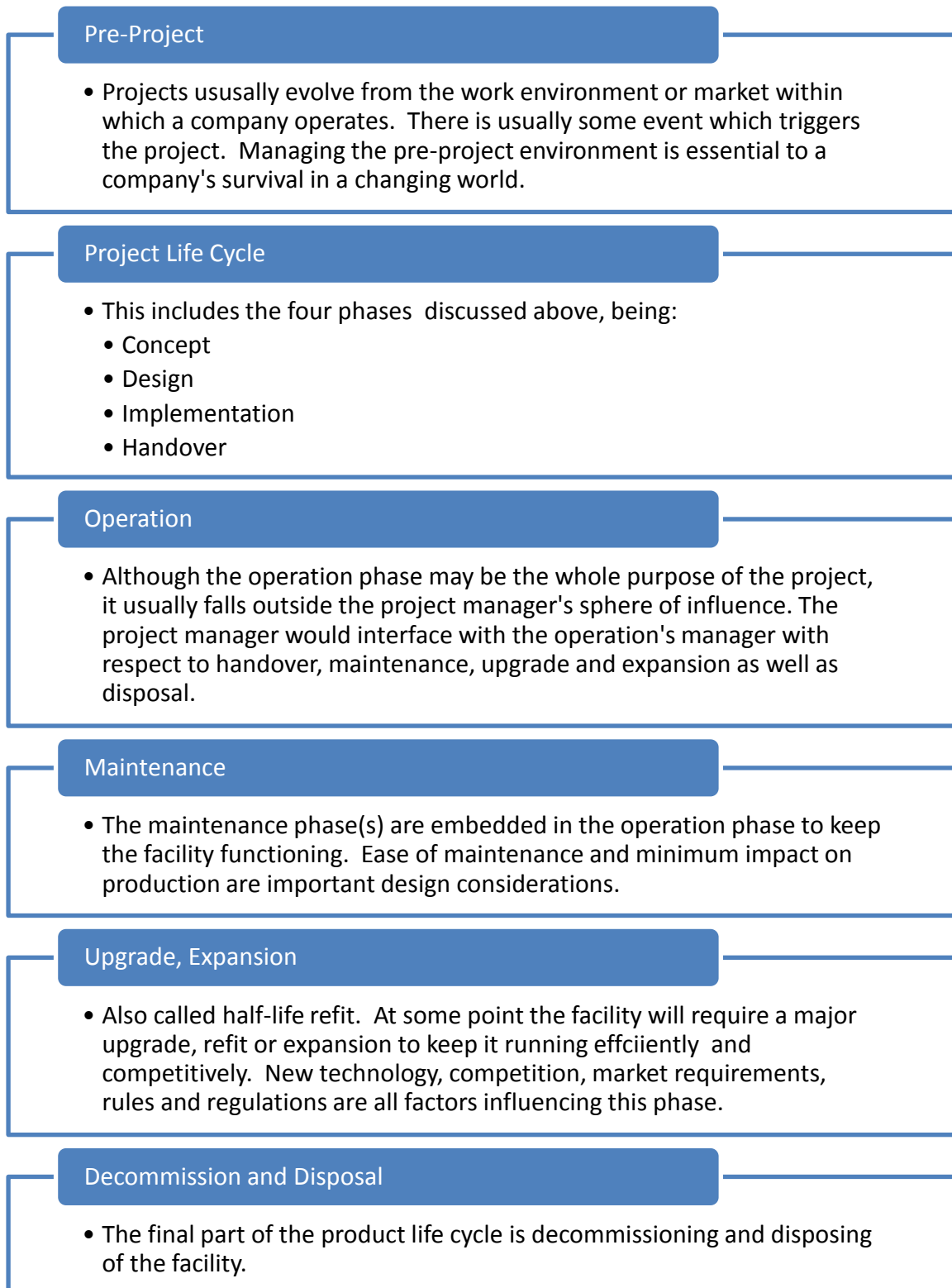
**Figure 4.14: A Project Environment Model (Burke, 2007: 37)**

Project management is traditionally understood to concern a clearly defined project life cycle which is followed for each project irrespective of size or duration. The figure below illustrates one version of the project life cycle as understood by Burke (2007). The project life cycle includes the four basic processes of concept and initiation, design and development, implementation or construction and commissioning and handover. This life cycle is a valuable tool for planning and managing projects, especially those related to the creation of infrastructure.



**Figure 4.15: A Project life cycle (Burke, 2007:41)**

One of the drawbacks of this view of project management is however that it begins and ends abruptly with little opportunity for client interaction after project completion. The commissioning and handover of projects, if not managed properly, have resulted in over-the-wall transfer (alluding to the project being tossed over a wall to a client who has no interaction with the contractor delivering the project) if it is not accompanied by appropriate discussions and explanations (Burke, 2007:42). This and other criticisms of the traditional project approach has prompted Burke to try and force project managers to look at the bigger picture by expanding the project life cycle to a product life cycle, as illustrated below. The product life cycle is a more client-oriented, comprehensive, cradle-to-grave view. Burke (2007:49–51) proposes 8 phases in his rendition of a product life cycle.

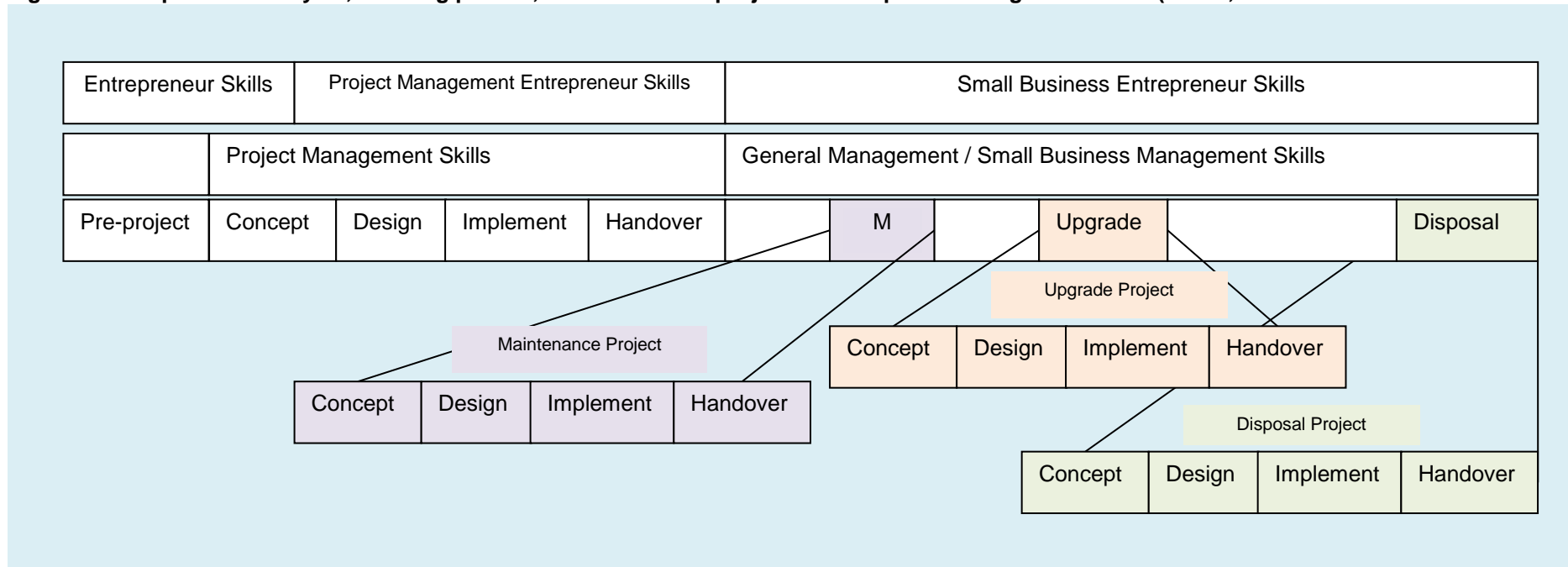


**Figure 4.16: Product life cycle**

Although Burke may be criticized for focusing too heavily on facility creation as opposed to services delivered through projects, the steps he adds before and after the traditional project life cycle will be informative in the development of partnership

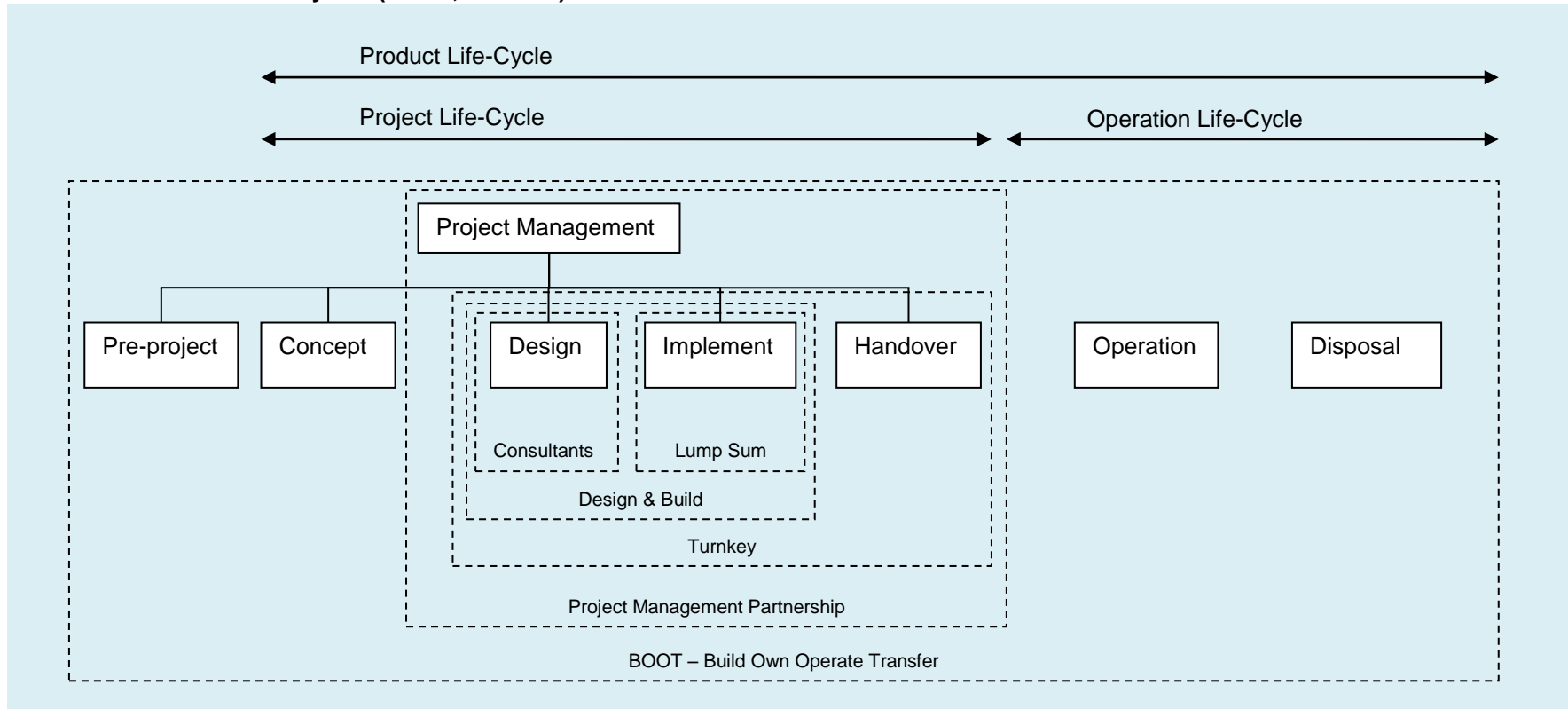
projects. Perhaps the most important contribution the project management field makes to partnership management and success is the recognition of differences in skills required at different phases in a product life cycle. In the figure below (Figure 4.17) the different skills required in different project phases are identified as entrepreneurial skills, project management entrepreneurial skills, and small business entrepreneurial skills on higher levels and project management skills as well as general management and small business management skills at mid-management level. The design of partnership projects must thus also recognize the need for different skill sets at different times in the life cycle of a partnership.

**Figure 4.17: A product life cycle, showing phases, embedded mini projects and required management skills (Burke, 2007: 51)**



The figure below illustrates the relationship between the traditional project life cycle, the operation life cycle and the product life cycle and at the same time identifies what type of procurement contract will apply to elements within the product life cycle.

Figure 4.18: Procurement life cycles (Burke, 2007: 52)



This typology relates to the types of partnership that were discussed in Chapter 2 and adds further understanding to the differences between types of partnership.



From a project management perspective the following success factors can be identified in this section:

- Consider more than just the traditional project life cycle when planning partnership projects – look at the complete product life cycle;
- Establish single coordination point or manage authority vacuum through collegiate decision-making;
- Matrix organizational structure can be efficient for projects;
- Clear project definition and scope management;
- Clearly defined project organization structure ;
- Constantly consider the impact of external factors (environment / stakeholders);
- Ensure appropriate project handover that empowers the client.

In the next section success factors in governance will be analysed in search of success factors.

#### **4.6.5 Success factors in Corporate Governance**

The most important components of corporate governance identified by Du Plessis *et al.* (2005) imply that corporate governance:

- Is a process of controlling management;
- Takes into consideration the interests of internal stakeholders and other parties who can be affected by the corporation's conduct;
- Aims at ensuring responsible behaviour by corporations; and
- Has the ultimate goal of achieving the maximum level of efficiency and profitability for a corporation (Du Plessis *et al.*, 2005:7).

An obvious key success factor from a corporate governance perspective is that an agreed strategy must exist. Sustainable development is a priority for the proponents of good corporate governance. The three pillars of sustainable development: environmental, i.e. social and economic sustainability (Creech & Paas, 2008:13), relates to “triple bottom line” advocated by good governance protagonists who believe that good governance must result in economic profit, social growth and

environmental benefit. The sustainability issue may however conflict somewhat with the adjusted priorities of the “Post-welfare state”.

The quasi-legislation of codes of good corporate governance provides further insight into success factors from a good corporate governance perspective. The South African-based Institute of Directors published its voluntary code for corporate governance in September 2009. It has been implemented from 1 March 2010. The code is called King III. King I was published in 1994 and King II in 2002 and applied exclusively to listed companies and public enterprises (despite this, it was part of job requirements and interviews in at least one municipality – the City of Cape Town). There are three shifts in comparison with King II: firstly in the area of application, secondly in the structure of the report and thirdly in the emphasis contained in the recommendations. The Institute of Directors (IoD) is a non-governmental institution and cannot make binding rules. Van Wyk (2009) indicates that, in the same manner as done by other similar organizations elsewhere in the world, the IoD could find linkage with an international mood resulting from a series of spectacular business scandals. The IoD and its international counterparts could convince governments that the business sector should be given the opportunity to clean its own house instead of becoming the target of far-reaching legislative interventions by government. Financial markets, such as the JSE, cooperated by making compliance with the King codes (or its foreign counterparts) entrance requirements to listing. In the public sector, the state made the King-code part of its management framework through the Public Finance Management Act of 1999. In the private sector, the approach was “comply or explain” - the code could not force companies, but the bourse demanded an explanation if they did not comply with the code (Van Wyk, 2009:17).

The codes became so convincing that big unlisted companies, such as KVV Ltd, also voluntarily complied with the codes (Van Wyk, 2009:17). The power of codes such as King, London’s Combined Code, Germany’s Cromme and the Netherlands’ Tabaksblad-code relies mostly on credibility (Van Wyk, 2009:17). King III now prefers to use the language of “implement or explain”, wording that, according to Van Wyk, is borrowed from the Dutch Tabaksblad code. The wording is intended to discourage the use of the code as a minor laundry list. Van Wyk doubts whether it will discourage

the workings of auditors and company secretaries. Van Wyk also believes that King III has become over-ambitious by wanting to be applicable to all “entities”. An “entity” is apparently any functioning institution with or without profit motive, also a private company or a closed corporation and maybe even a family trust. The whole report is still primarily aimed at protecting the stakeholders in big businesses (Van Wyk, 2009:17). The over-ambitiousness will give company advisors headaches and can undermine the credibility of King III (Van Wyk, 2009:17).

Due to the corporate scandals of the late 1990s and the early 2000s King II, like the American Sarbanes-Oxley-act of 2002 and the British model from the same time, focused on the checks and balances in the direction of big companies, especially concerning the role of boards of directors (Van Wyk, 2009:17). The collapse of banks and other financial institutions from mid 2008, in especially London, New York and Zurich, have shown that even boards of directors which complied with the structural and functional requirements of codes of governance like the King code and its foreign equivalents, were not the be-all and end-all. The current consensus is that they gave preference to short term profits above the long-term sustainability of their firms and ignored the risks resulting from this strategy. That is why King III emphasizes sustainability and risk management. In well-led enterprises, risk management is an established management mechanism, which King III is now underlining. The focus on sustainability is connected to current thinking on this subject. Even if the sustainability rhetoric is exaggerated at times in King III and elsewhere, modern enterprises can in fact have enormous impact on their environments. This environment includes not only their shareholders, but also employees, neighbours, wider society (including the state) and each one’s physical milieu. This brings about a demand for all-encompassing reporting on activities (triple bottom-line reporting), on corporate citizenship and on the necessity of long-term plans (Van Wyk, 2009:17).

Herman Daly, an American ecological economist, has said, “There is something fundamentally wrong about treating the earth as if it was a business in liquidation.” The triple crunch of the credit crisis, climate change and unstable oil prices are signalling a new path forward, a path where we start treating the earth as a valuable, finite asset and where corporations increasingly understand that greater

environmental responsibility can lead to enhanced economic performance (McLean, 2009:5). Interpretation of the preceding discussion prompts the identification of the following success factors:

- Pursue the triple bottom line;
- Greater environmental responsibility.

In the next section, some success factors originating from the field of enterprise risk management will be analysed.

#### **4.6.6 Success factors from Enterprise Risk Management**

Enterprise Risk Management is defined as comprehensive risk management that allows companies to identify, prioritize, and effectively manage their crucial risks. An ERM approach integrates risk solutions into all aspects of business practices and decision making processes (IoD, 2009:51). The following categories of risk were identified in a guideline entitled "*Management of Risk: Guidance for Practitioners*":

- Strategic / Commercial;
- Economic / Financial / Market;
- Legal, contractual and regulatory;
- Organizational management / human factors;
- Political / societal factors;
- Environmental factors / acts of God (*force majeure*); and
- Technical / operational / infrastructure (HMSO, 2002:19).

One success factor is evident in this section:

- Identify and actively manage risks.

In the next section success factors for public-private partnerships will be identified by looking at questions of organizational design.

#### **4.6.7 Success factors and organizational design**

In this subsection critical success factors that can be identified by considering organizational design types will be investigated. One type of organizational design which can also be considered to be a partnership is the hyperarchy.

#### 4.6.7.1 Hyperarchy

A hyperarchy is a “large scale, self-organizing community that sets free unusually high degrees of energy and engagement – despite the lack of clear or direct economic payoff for participants”, says Boston Consulting Group partner Philip Evans (Gary, 2005:94). For example, Toyota’s famously lean supply chain has evolved over the past two decades into a self-organizing community that relies, at times, on voluntary contributions almost unthinkable in a conventional business. The significance of this was brought home in 1997, when a fire at a plant of Aisin Seiki, one of Toyota’s tier-one suppliers, destroyed the automaker’s sole source of p-valves, a key component in brakes.

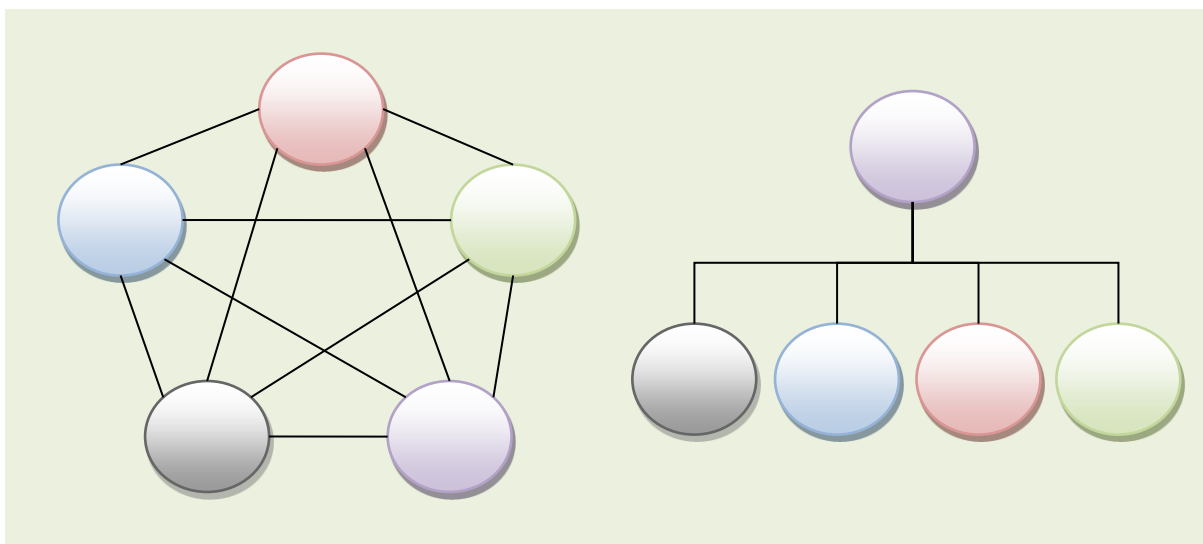
Since Toyota intentionally maintained low inventories, the entire supply chain quickly ground to a halt. But the tier-one suppliers decided to improvise the production of p-valves using whatever general-purpose machinery was available. Each tier-one supplier mobilized its tier-two suppliers; they, in turn, mobilized their tier-three suppliers, in a nested, self-replicating fashion. There was no up-front haggling about how people or companies would be re-imbursed. Instead, ad hoc teams formed across firms; Aison Seiki freely shared its blueprints, raw materials, and any specialist machinery that had survived the fire. Other groups stepped forward to “traffic-cop” the new set of logistics. Ten days after the fire, more than 60 firms were producing enough p-valves to get the entire system running again – thanks to the initiative of a number of companies, only one of which was Toyota (Gary, 2005:95).

Perhaps the best-known hyperarchy is the Linux project, part of the broader open-source software movement in which program source code is given away to volunteers who help fix bugs and design new features (Gary, 2005:95–96). Linux operating systems have generated huge economic value, says Evans: they drive more than 50% of all embedded devices and have more of the server operating systems market than Microsoft’s Windows NT. But this value does not show up in the GNP because it accrues as a free benefit to users. The success of such self-organization “flies in the face of many economists’ assumptions about self-interest,” says Evans, co-author of *Blown to Bits: How the New Economics of Information Transforms Strategy*. In a conventional market, the primary transaction currency is

the contract – the system of negotiating, paying, and litigating, when necessary, to enforce agreements. Moreover, an asymmetry of information – having access to data that another participant does not – can often give you bargaining power (Gary, 2005:96).

Hyperarchies, by contrast, use simple rules to increase transparency and symmetry of information. When all Linux programmers can pretty much see what everyone else is doing, everyone has an incentive to reciprocate when others share information with them; in the course of such sharing, participants build strong reputations throughout the community. Reciprocity and reputation thus work together to establish trust as the primary transaction currency in a hyperarchy. So when the fire occurred at the Aisin Seiki plant, Toyota's suppliers didn't feel the self-protective need to negotiate their compensation first before jumping in to solve the problem (Gary, 2005:96). There is a clear link between hyperarchy and the symbiotic relationships discussed in Chapter 2. To organise according to coordination needs, requires understanding of the nature of interdependence within an organization. Thompson distinguished three levels of interdependence: pooled interdependence (the loosest), where individuals operate independently but depend on one another's performance; sequential interdependence, where the output of one individual is the input of the other; and reciprocal interdependence (the most intense), where individuals are mutually dependent. Thompson argues that organizational design needs to begin with creating organizational units at points where interdependence is the most intense (Grant, 2005:203).

It is also valuable to consider the effort required to coordinate in a hyperarchy or other organic organizations as opposed to in a hierarchy where everyone has one superior to report to. The figure below indicates how many lines of coordination are required in both an organic and hierarchical organization. It is clear that coordination will require more effort in the former and less in the latter.



**Figure 4.19: How hierarchy economises on coordination (Grant, 2005: 198)**

The implication for PPPs is that they will in all likelihood require more coordination than a standard public sector service delivery vehicle working on its own. However, the complexity and need for coordination within public entities should not be underestimated.

*4.6.7.2 Mechanistic / Bureaucratic vs Organic organizational structure:*

The relative merits of bureaucratic and organic structures depend on the activities undertaken and the surrounding environment. Where an organization is supplying standardised goods and services using well-understood processes, in an environment where change is slow and predictable, the bureaucratic model with its standard operating procedures and high levels of specialization offers substantial efficiency advantages. The problem occurs when the bureaucratic model has to produce heterogenous outputs from heterogenous inputs, using poorly understood technologies, in an environment where change requires constant adjustment. Here, the bureaucracy fails because greater organizational flexibility is required (Grant, 2005:199).

**Table 4-6: Mechanistic vs Organic organizational forms**

FEATURE	MECHANISTIC	ORGANIC
Task definition	Rigid and highly specialized	Flexible and less narrowly defined
Coordination and control	Rules and directives vertically imposed	Mutual adjustment, common culture

FEATURE	MECHANISTIC	ORGANIC
Communication	Vertical	Vertical and horizontal
Knowledge	Centralised	Dispersed
Commitment and loyalty	To immediate superior	To the organization and its goals
Environmental context	Stable with low technological uncertainty	Unstable with significant technological uncertainty and ambiguity

**Source:** Adapted from Butler (1991:76) and Grant (2005:200).

In order to increase organizational flexibility, Grant (2005:201) advises that one should reduce hierarchical levels, decentralise decision-making, reduce headquarters staff, emphasise horizontal rather than vertical communication and shift the emphasis of control from supervision to accountability. Factors influencing organizational design:

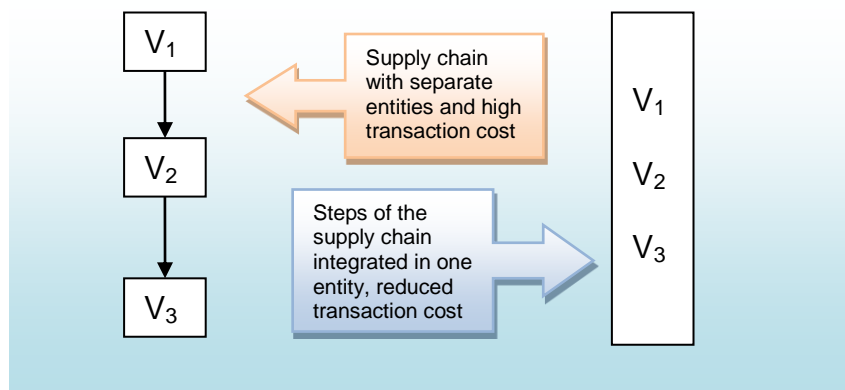
- Tasks;
- Products;
- Geography;
- Process;
- Coordination intensity;
- Economies of scale;
- Economies of utilization;
- Learning – structured to maximize learning and thereby gain competitive advantage;
- Standardization of control systems.

Grant (2005:204) draws a distinction between knowledge generating activities (exploration) and knowledge application activities (exploitation). Exploration activities are likely to require looser, more organic structures and systems, while exploitation activities are likely to require more mechanistic approaches. Reconciling such different management systems within the same company is easier if creative activities such as research and new product development are separated from the more routine activities such as manufacturing and accounting.



#### 4.6.7.3 Cost reduction through vertical integration.

The figure below illustrates how a new venture like a partnership could reduce its transaction costs by internalising several steps in its supply or value chain. In a non-integrated model, V2 could only be sustained if it paid as little as possible for V1 and charged V3 that amount and a considerable overhead. In a vertically integrated model, V2 does not have to add a profit because the transaction is internal and the profit only needs to be made where the product is delivered to the client or end-user.



**Figure 4.20: Vertical integration can reduce transaction costs  
(Based on Grant, 2005: 390)**

Based on the description above one can argue that the success of a PPP would be promoted by reducing transaction costs through internalising as many steps in its value chain as possible. Insights produced by the discussion in this section brings forth the following success factors:

- Transparency;
- Symmetry of information;
- Trust built on reciprocity;
- Organizational flexibility.

This concludes the discussion of organizational-design inspired success factors for PPPs. The next section will list the success factors identified in this chapter.

#### 4.7 **SUCCESS FACTORS IDENTIFIED IN THIS CHAPTER**

In this section the pattern started at the end of Chapter 3 is continued. All those critical success factors identified in this chapter are listed here without any editing.

The success factors for PPPs identified in this chapter are:

1)	Strong local ownership;
2)	Strong champion or driver;
3)	Community support;
4)	Seeing partnership formation as the formation of new for-profit enterprises based on social or environmental objectives and values;
5)	Use lessons from private enterprise;
6)	Observe the “generic observations” on partnership success;
7)	Clarity and openness about individual and collective agendas and purpose;
8)	Synergy between individual and collective agendas;
9)	Synergy between individual, collective and societal benefits;
10)	Support in the implementation of partnerships;
11)	Understanding and adjusting for the influence of power relationships upon partnership governance;
12)	Transparent procurement processes;
13)	Stakeholders should be empowered to understand that which is supposed to be transparent;
14)	Considering the appointment of external consultants to work with the government agency on the evaluation of bids;
15)	Procedural disincentives for corruption;
16)	Blacklisting of corrupt contractors;
17)	Civil society assistance with performance measurement;
18)	Recognizing the role of civil society to act on behalf of the community;
19)	Simplify decision-making;
20)	Devolve authority for decisions to the lowest possible level;
21)	Clear lines of accountability;
22)	Integration of activities to enable cost sharing;
23)	Simplify specifications by focusing on outputs and outcomes;

24)	Ensure tender invitations are complete with all necessary information;
25)	Standardized forms and methodology for bid adjudication;
26)	Increase awareness of cost management among public staff;
27)	Expedite access for new suppliers to staff and premises;
28)	Flexible contracts with simple, robust contract variation procedures;
29)	Rationalize the number of partners;
30)	Fair contract enforcement mechanisms;
31)	Early appointment of a designated team or individual to identify finance sources;
32)	Previous experience of partners in partnerships;
33)	Clear identification of all stakeholders;
34)	Open and candid communication with all stakeholders, taking into regard the concerns and priorities of each stakeholder;
35)	Conscious stakeholder relationship management;
36)	Keep all stakeholders informed of all aspects of project, with specific focus on the intent, purpose, and means of implementation of the project;
37)	Counter misperceptions and myths through audience-appropriate, candid and factual information;
38)	Clearly identify all stakeholders and ensure appropriate communication with each;
39)	Communication responsibility should be shared among partners, and communication should come from the most appropriate partner for the specific communication;
40)	Develop a collaborative process;
41)	Incentivise effective collaboration;
42)	Joint capacity building session;
43)	Regular partnership review and reconsideration;
44)	Experiment with collaboration options;
45)	Build interpersonal skills for collaboration.
46)	Understanding of the original partnering motivations and conditions;
47)	Sensitivity to the environment and its influence on the partnership;
48)	Ability to adapt to environmental changes;
49)	Visible political leadership;

50)	Policy statement to all stakeholders;
51)	Procurement systems that support the partnership approach;
52)	Fully transparent procurement system;
53)	Open competition in the selection of partners;
54)	Confirm / ensure statutory and regulatory authorization;
55)	Public officials must identify and remove legislative, regulatory and administrative impediments;
56)	Rally public, political and administrative support;
57)	Strong leadership to overcome institutional inertia / resistance to change;
58)	Recognize the importance of perceptions among leadership;
59)	Contract management to ensure adherence and punish non-compliance;
60)	Access to fair and unbiased judicial relief;
61)	A statutory foundation (enabling legal environment);
62)	Strong individual champions in the private partner;
63)	Flexibility to adapt to changing circumstances;
64)	Commitment of and leadership from top management in the public partner;
65)	Well-informed political leadership involvement from public partner.
66)	Continued active involvement of public partner;
67)	Ongoing performance management;
68)	Clear description of the responsibilities of each partner;
69)	Clearly defined method of dispute resolution;
70)	Contract design should reflect conditions;
71)	Performance oriented goals;
72)	Clearly delineated metrics for performance and reporting;
73)	Clear risk allocation;
74)	Workforce development plan;
75)	Commitment to the partnership process by all partners;
76)	Appropriate skills within the public sector partner;
77)	Reduction in potential for political interference;
78)	Effective communication with all stakeholders;
79)	Open procurement process;
80)	Build on the assets of potential partners;

81)	Focus the scope and content of the partnership arrangement;
82)	Establish appropriate organizational and contractual arrangements;
83)	Establish sound partnership principles;
84)	Strong local ownership;
85)	Commitment;
86)	Partners contribute according to their capacity;
87)	Contract management;
88)	Contract negotiations;
89)	Financial analysis and planning;
90)	Understanding the business at hand, for example water and sanitation;
91)	An assured income stream for the duration of the partnership;
92)	Selecting a partner that can contribute the most value to the partnership;
93)	Selecting partners with experience in the applicable field;
94)	Regulation to prevent abuse;
95)	Detailed specifications;
96)	Evaluation system (which could include inspection);
97)	Strategic and financial skills within the public sector partner;
98)	Strategic understanding of partnerships within the public sector partner
99)	Confirm each partner's individual goals;
100)	Confirm the collective goal of the partnership;
101)	Measure performance against individual and combined goals;
102)	Flexibility - renegotiating outcomes based on changing conditions;
103)	First focus on public value, what public outcome must be produced;
104)	Don't get lost in the fine print;
105)	Manage around key values and performance objectives;
106)	Consider finance as a tool among many others;
107)	Make meaningful, even if imperfect, enhancements to the status quo;
108)	Develop appropriate set of core competencies;
109)	Developing effective knowledge-sharing practices;
110)	Invest in the best and brightest human capital for the public sector;
111)	Public sector human capital in contract and network management;
112)	Capacity should be balanced in a partnership;

113)	Use people with a collaborative mindset;
114)	Strategic human capital plan to acquire the correct skills;
115)	Acquire new governance skills set;
116)	Establish support mechanisms / partnership enablers;
117)	Private sector experience for the public sector;
118)	Focus on the required public outcome;
119)	Manage flexibly around key values and performance objectives;
120)	Use all available resources, not only monetary, to bring partnerships together;
121)	Aim to make meaningful enhancements to the status quo;
122)	Invest in skills and competencies;
123)	Structure partnerships for success;
124)	Government must be sure of what it wants;
125)	Compare costs and performance with alternatives;
126)	Cost of product and service production must be determined;
127)	Compare information costs under alternatives;
128)	Good leadership and interpersonal relationships;
129)	Clear direction;
130)	Clear division of responsibility of functions;
131)	Build real partnership, with shared burdens and shared rewards;
132)	Real incentives for the private sector;
133)	Reasonable expectation of private sector interest due to potential market;
134)	Use public resources effectively and judiciously;
135)	Minimizing the bureaucratic procedures that can cripple a project;
136)	Use land ownership as way for public to control the projects;
137)	Choose the model that meets all the criteria;
138)	Consider political acceptability;
139)	Consider organized labour opinions;
140)	Shared experiences in field;
141)	Similar cultures;
142)	Cultures that embrace collaboration;
143)	Similar measurements of success;
144)	Build entrepreneurial skills;

145) Improve capacity for tactical decision-making;
146) Sensitivity to environment / context;
147) Establish institutional arrangements with care;
148) Appoint individuals with entrepreneurial experience and skills;
149) Create teams with diversity to encourage creativity;
150) Focus on discovering and exploiting partnership opportunities;
151) Structure the venture with an outcomes focus;
152) Achieve a fit between the industry evolution context, personal networks of entrepreneurs, behaviours of entrepreneurs, motivations of stakeholders, and the structures and strategies of the organization;
153) Synchronization of partners' business processes;
154) Shared applications (for example software);
155) Similar technologies;
156) Shared communication channels;
157) Need to have "shared semantics";
158) Create new organizational collaboration and innovation space;
159) A well-developed shared vocabulary;
160) Reduced transaction cost;
161) Shared and agreed performance measurement indicators;
162) Shared success or failure evaluation;
163) Enabling environment;
164) Support for public managers to explore and implement the PPP option;
165) PPPs should be chosen as delivery mechanism only when the PPP model is appropriate to the circumstances;
166) Conduct a pre-partnership viability assessment;
167) The partnership should deliver mutual benefit;
168) Delivery of services that are accessible - easy to use and delivered in a manner and at a place which is convenient for the target market they are intended for;
169) Delivery of affordable services not exceeding public provision costs;
170) Services should be delivered in a manner that is <i>safe</i> to users;
171) Quality focus;
172) Social equity and economic empowerment focus;

173)	Efficient utilization of scarce resources;
174)	Protection of the environment;
175)	Opportunity to reward private partner for involvement;
176)	An experienced and competent private partner;
177)	Sound regulatory frameworks;
178)	Fair returns for private partners;
179)	Integrated risk management - clear and fair risk balance;
180)	Satisfaction of consumers, decision-makers and private partner;
181)	Correct choice of partnership model;
182)	Clear objectives, policies and principles;
183)	Transparency;
184)	Enabling regulatory environment;
185)	Properly designed contract;
186)	Government oversight;
187)	Known outputs;
188)	Quantified process;
189)	Robust procurement methodology that ensures value for money;
190)	Well-defined projects;
191)	Look at complete product life cycle, not only project life cycle;
192)	Establish single coordination point;
193)	Manage authority vacuum through collegiate decision-making;
194)	Choose optimal organizational structure;
195)	Clear project definition and scope management;
196)	Clearly defined project organization structure;
197)	Consider the impact of external factors (environment / stakeholders);
198)	Ensure appropriate project handover that empowers the client;
199)	Pursue the triple bottom line (financial, societal, environmental);
200)	Greater environmental responsibility;
201)	Identify and actively manage risks;
202)	Transparency;
203)	Symmetry of information;
204)	Trust built on reciprocity;



205) Organizational flexibility;
206) Philosophical match between the private and public partners;
207) Pay attention to governance issues in partnerships.

The list of success factors provided above can be synthesised into a shorter, consolidated collection through the removal of duplicates, the combination of similar ideas, and the reformulation of ideas.

#### **4.7.1 Consolidated success factors from this chapter**

The consolidated list of success factors for PPPs identified in this chapter are shown in Annexure C.

### **4.8 FURTHER DISTILLATION OF SUCCESS FACTORS**

This list of success factors now need to be compared and integrated with the success factors identified in the previous chapter. The list of factors from the previous chapter will be inserted here for easy reference and will then be followed by a combined and integrated list compiled through a process of synthesis.

#### **4.8.1 Consolidated success factors from Chapter 3**

The consolidated list of success factors from Chapter 3 is provided in Annexure C.

#### **4.8.2 Integrated list of success factors**

In this sub-section the consolidated lists from this chapter and Chapter 3 are combined, with duplicates being removed and similar concepts grouped together under collective headings. The consolidated list of success factors is shown in Annexure C. This consolidated and integrated list represents all the success factors identified up to this point in this dissertation. This list will be transferred for use at the end of the next chapter, where it will be combined with success factors identified in the next chapter.

#### 4.9 TOWARDS A FRAMEWORK OF PPP EVALUATION

At the end of this fourth chapter it is now possible to further develop the partnership evaluation tool that was discussed at the end of Chapter 3. In Chapter 3 it was proposed that partnership evaluation should start with an assessment of the entity to be evaluated, in order to determine whether it qualifies as a PPP. Secondly, it was argued that success factors for PPPs that are identified in this dissertation could provide the basis for the development of key performance areas and key performance indicators for PPPs. The table below illustrates the proposed framework for evaluation. In the table, the column headings describe what information can be entered into the cells below them. The second row in the table below describes what the rows after the heading row should contain once it is implemented as an evaluation tool.

**Table 4-7: Basic evaluation framework for PPPs**

<b>PPP Name</b>	<b>PPP Prequalification</b>	<b>Success factors</b>	<b>Key performance areas and indicators</b>	<b>Performance evaluation</b>
<i>Contains: Name of PPP</i>	<i>Contains: Result from eight-point checklist to pre-qualify the entity as a PPP.</i>	<i>Contains: List of success factors identified</i>	<i>Contains: Key performance areas (KPAs) derived from the success factors</i>	<i>Contains: Indication of the performance of the PPP within the KPAs.</i>

The framework for the evaluation of PPPs will include at least some confirmation that the entity being evaluated is in fact a PPP, and will also include key performance areas that can be derived from the categories of success factors identified within this dissertation. The consolidated categories of success factors identified in the previous subsection could serve as key performance areas in the evaluation of PPPs. The collection of success factors is now more mature than the list at the end of the previous chapter, but it is still too early to include them in an evaluation tool. One major concern is the large number of categories and factors which, if all were to be included in the evaluation tool, would make for an extremely cumbersome measuring

tool. It would be more meaningful to wait for further filtering and purification of these factors before including them. The further development of an evaluation instrument is the main topic of the next chapter and a finalised evaluation instrument will be presented at the end of the chapter.

#### **4.10 CHAPTER SUMMARY**

After a good initial understanding of partnerships was developed in Chapters 2 and 3, it was possible in this chapter to consult literature to locate any critical success factors that are mentioned or implied by various authors and researchers regarding partnerships and which can in later chapters be considered alongside success factors identified through other methods. Those success factors that are confirmed by subsequent levels of inquiry will eventually form part of the final collection of success factors. This chapter commenced with a search for partnership success factors in partnership literature, which included sustainable development partnership literature as well as PPP literature. A second field of study, public governance, was subsequently assessed to continue the search for success factors. The focus then turned to private sector collaboration literature and thereafter entrepreneurial studies. A collection of perspectives on success was then discussed which also provided insight into success factors. The final field to be considered was organizational design.

All the success factors identified in this chapter were presented and subsequently filtered and reduced to more meaningful categories and sub-categories. The consolidated list of success factors from Chapter 2 was then presented and subsequently combined with those from this chapter in a further distillation process. The integrated list of success factors identified up this point was presented for later discussion. Finally, the discussion on the development of a framework for PPP evaluation was picked up from Chapter 3 and further developed with due consideration for the further development that will occur in the next chapter. This concludes Chapter 4. In Chapter 5, the evaluation of PPPs and the development of an evaluation instrument for PPPs will be the main focus.

1	2	3	4	<b>5</b>	6	7	8
<b>EVALUATING PUBLIC-PRIVATE PARTNERSHIPS</b>							

Chapter 1: INTRODUCTION
Chapter 2: PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW
Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT
Chapter 4: CRITICAL SUCCESS FACTORS Perspective 1: Collecting opinions and evidence from literature
<b>Chapter 5: EVALUATING PUBLIC-PRIVATE PARTNERSHIPS Perspective 2: Interrogating definitions and opinions of success to establish success measurement instruments</b>
Chapter 6: EXAMPLES AND THEIR SUCCESS OR FAILURE Perspective 3: Analysing case studies using measurement instruments from the previous chapter
Chapter 7: SUCCESS AND FAILURE: SEARCHING FOR A PATTERN Comparing the evidence from different perspectives
Chapter 8: SUMMARY AND CONCLUSION: KEY ASPECTS OF SUCCESSFUL PARTNERSHIPS Synthesis: Evaluating the evidence
9.: ABBREVIATIONS AND ACRONYMS
10.: REFERENCE LIST
11. Annexure A: PPP ENABLERS PER COUNTRY
12. Annexure B: QUESTIONNAIRE TABLES

## 5 EVALUATING PUBLIC-PRIVATE PARTNERSHIPS

### 5.1 INTRODUCTION

This dissertation is aimed at identifying critical success factors for public-private partnerships and providing supportive information for public policy-makers and managers on when to consider using partnerships as delivery mechanisms and how to best ensure the success of such partnerships. Chapter 1 introduced the research question, indicated how the dissertation would be constructed and described some initial concepts related to partnerships. Chapters 2 and 3 provided a comprehensive overview of public-private partnerships which included some historical notes on partnerships, a comparison between partnerships and synergism in nature, definitions relating to partnership, reasons for partnering, uses for partnership, forms of partnerships and partnership contract types. Partnership structures and management were described, and barriers to partnership and negative aspects of partnership were analysed after which the context and life cycle of PPPs were presented. In the previous chapter, Chapter 4, literature was consulted to locate any critical success factors that are mentioned or implied by various authors and researchers regarding partnerships.

In this chapter the evaluation of PPPs is the main topic of discussion in what is partly a continuation of the literature study conducted in the previous chapter and partly an effort to create insight into critical success factors for PPPs by considering the evaluation of PPPs. This insight-stimulating effort is in keeping with the exploratory research design explained in Chapter 1. Possible methodologies to evaluate partnerships will be discussed, beginning with comparative case study analysis and moving on to various alternative approaches. A methodology to derive performance measurement instruments from definitions of partnership will be developed to aid the identification of additional success factors, whereafter the evaluation of service delivery will be discussed as an option for the evaluation of PPPs. A final outcomes-based approach to evaluating partnerships will be discussed before moving on to the main focus of this chapter, the creation of a measuring instrument for PPP performance and success. The definition of an appropriate success measure will be

described after which an evaluation instrument will be proposed. The identification of success factors will continue in this chapter in the same way that it was done in the previous chapter. The critical success factors identified in Chapters 2, 3 and 4 will be considered alongside success factors identified in this chapter and then combined and reduced to a new consolidated list.

Further support for identified success factors will be found in Chapter 6, where examples of partnership success and failure will be used to confirm or disprove identified critical success factors. The success factors that are identified in this chapter will be listed at the end of the chapter. Success factors from the previous chapter that are supported by success factors identified in this chapter will be transferred to later chapters for additional filtering and discussion. Those success factors that are confirmed by subsequent levels of inquiry will eventually form part of the final collection of success factors. The success measurement instrument developed in this chapter will be applied to the case studies in the next chapter to determine its suitability while at the same time evaluating the case studies to identify success factors. In Chapter 7, the results of all the previous chapters will be presented and then put through a final filtering process by considering the results from questionnaires and interviews. The presence of patterns of success and failure will be investigated. Chapter 8 will provide a summary of all the findings of this research process, and a summary of the whole dissertation, with specific focus on the new knowledge generated, the hypothesis that results from this dissertation, and opportunities for further research and knowledge development.

The aim of this dissertation is to determine critical success factors for PPPs. It would be possible to identify such critical success factors by investigating successful PPPs and then modelling critical success factors on such successful PPPs. The description of success factors through the study of successful partnerships is perhaps easier said than done because it will be important to identify exactly what made the partnership successful. Isolating such factors might be possible through performance measurement, but measuring performance requires an instrument which includes specific performance indicators. The search for an evaluation instrument will thus be a central part of this dissertation and especially this chapter.

The concept of partnership as a way of describing relationships between public, private and voluntary agencies can take many forms. The evaluation of quality in the delivery of services by these partnerships is recognized as complex given the differing perspectives not only of the two or more partners but of the various other stakeholders, including service users, and the potential for added value arising from the partnership itself (Kemshall & Ross, 2000). It is expected that a variety of additional approaches to the evaluation of partnerships can exist.

One option would be to take an epidemiological approach, considering how “healthy” partnerships are and trying to identify and explore areas of “disease” in failed partnerships. A second approach could entail the use of performance measurement methodologies such as the “balanced scorecard” model posited by Kaplan and Norton (1992; 1993; 1996a; 1996b; 2001). A third approach could be to consider the triple bottom line approach to corporate governance and the pillars of sustainability: economic, environmental and social performance (Elkington, 2004; Savitz & Weber, 2006). Fourthly, the question of the creation of public value can be investigated along with other outcomes-based questions such as whether mutual benefit was created. A fifth option is to look at normal project metrics, where partnerships can be evaluated as projects or programmes with normal project and/or programme evaluation methodologies. The simple question of whether goals have been achieved can also be a basis for evaluation. A seventh option or variation on the evaluation theme is to do a “360 degree assessment” of the partnership where the partners, government, the private sector, clients of the partnership, member organizations of the partnership and people working within the partnership can evaluate the partnership based on their understanding and experience of the partnership.

It has been stated that partnerships can make it possible for roleplayers to divert resources and that performance measurement and evaluation can reduce the possibility of resource diversion. It is also argued that performance measurement is one of the few mechanisms available to ensure that semi-autonomous partnerships such as the American variety of business improvement districts (BIDs) create actual public benefits: benefits that are distributed across a wider public than a few merchants and are generally accessible. Performance measurement can be seen as

a way of reigning in the power of quasi-private structures while also permitting a continued reliance on privatized provision of public goods (Caruso & Weber, 2008:325). Some commentators such as Plummer (2002) sees the introduction of performance management systems as one of the advantages or benefits of PPPs (see Section 2.5.5.16 from page 109), but it seems that performance management has already become part of the public sector if one takes into regard the Municipal Systems Improvement Grants. The researcher also has personal experience of performance management systems independent of the presence of PPPs in national as well as local government from 1991 to 2007 and has seen such systems at work in provincial government since 1998.

Whether or not performance management is new to public sector is less relevant than the possible usefulness of performance management systems in pointing out successful or failed PPPs. Performance management in itself is also a candidate for being a critical success factor in PPPs. In order to measure performance one of course needs performance indicators. The relationship between performance indicators and success factors is such that one can be derived from the other, and this quality will be exploited in this chapter to frame additional PPP success factors for comparison with those already identified in previous chapters. With so many evaluation options possible, one might get the misleading impression that it will be easy to evaluate partnerships. The fact is that partnership evaluation is all but simple, that it is fraught with obstacles, and that the comparison of different partnerships in terms of performance or evaluation outcomes is highly problematic. Even more problematic is to attempt a comparison between outcomes through partnership as opposed to outcomes achieved in the absence of partnership. If it is true that a partnership needs to exhibit an improvement on the individual performance of the partners, it is also necessary to evaluate the performance of individual partners. Some baseline information will need to exist against which the performance of the partnership can be measured. Taking in regard the complexity of evaluating partnerships brings one to the realization that this dissertation, in trying to forward critical success factors for partnerships, will also need to be a study of PPP evaluation.



From the next section various approaches to the measurement of PPP success will be raised, beginning with a comparative case study analysis and its process steps. A linkage will be established with the case study analysis that will be conducted in the next chapter as part of the process established within this dissertation to identify success factors for PPPs.

## **5.2 CASE STUDY EVALUATION**

This section is committed to the discussion of a case study evaluation. The use of the methodology as a general evaluation instrument will be discussed, as well as the appropriateness of the methodology for the purpose of this investigation into the critical success factors for PPPs. At the commencement of this research project, the intention was to conduct comparative case-study research. It was assumed that a wide selection of partnerships could be compared with each other in order to isolate critical success factors. From the outset, however, the nature of the data that could be collected on each case study was a concern, and the researcher was concerned that it would not be possible to collect the depth of information on enough case studies that is required to make a judgement on success or failure. It was found that the minimum requirements for information on each PPP used in a case study comparison could be significant. The research design and experience of Nijkamp *et al* (2002), who conducted a comparative case study of nine Dutch urban revitalisation PPP projects, provided important insights in this regard. A comparative analysis of PPP case studies would hold several challenges which will now be described individually based on the methodologies and experience of Nijkamp *et al* (2002).

### **5.2.1 Selection criteria for case studies**

In a general sense, the selection criteria for case studies would depend wholly on the purpose and boundaries of whatever study is being conducted. From the perspective of a single PPP that needs to be evaluated, such selection criteria are immaterial as there is no choice of case study. Selection of case studies as described here would be applicable only if a comparative analysis of a collection of PPPs needs to be performed. The selection criteria for PPP projects that have been used in previous comparative analyses (Nijkamp *et al*, 2002) will now be listed. Comments on their suitability for use in the search for PPP success factors will then be provided.

Selection criteria used by Nijkamp *et al* (2002) included:

- The project is completed;
- Sufficient data on the project is available;
- The project has a PPP element;
- The project has a substantial financial and institutional scope;
- Similarity in scope and size between case studies.

Each of the proposed selection criteria will now be evaluated. *Completed projects:* After completing the literature study in the first part of the research project, the researcher realised that, with the long time-frames attached to certain types of PPPs, it would be unrealistic to only look at completed projects. Important examples of PPPs on the South African landscape would be disqualified from evaluation. It is argued that it must be possible to draw lessons on success from incomplete projects, and even to evaluate the success of an incomplete project based on mid-project milestones and deliverables. It was therefore decided that the case study selection would not exclude incomplete partnerships. The selection criterion was found to be incompatible with the goals of this research project and would also not be recommended in general. The evaluation tool to be used should therefore be flexible enough to be applicable to a PPP in any possible life cycle stage. It is noted that the life cycle stage of a PPP could be established as a selection criteria for case studies where it is appropriate for a research project.

*Sufficient data:* The availability of in-depth data on a disparate and sizable collection of PPPs remained a concern and the lack thereof became evident as the literature study for this research project progressed. Most of the available information was presented either in the glowingly positive public-relations collateral of those involved in partnerships, or in ideologically motivated hyperbole against or for PPPs and its associated “baggage” such as privatization. Even if detailed information could be collected on a small collection of cases, given the resources available to the researcher, the use of this information would be limited if similar detailed information on other case studies was unavailable for comparison. The researcher thus started to consider reducing the amount of information required per case study, but

considerably expanding the number of case studies to be evaluated. A less in-depth case study comparative analysis was therefore envisaged in order to reduce the dependency on unavailable detailed information on partnerships and to relax the selection criteria for case studies. It is noted that the availability of sufficient data will be an important consideration in all partnership evaluation efforts.

*PPP element:* It is evident that this selection criterion will be applicable because the PPP concept is central to the theme of this research project. A key difference would be the wide variety of PPPs that will be considered, based on the many different forms of partnership identified in Chapter 2. The use of the pre-qualification checklist developed in Chapter 1 and Chapter 2 reflects the intention of the researcher to focus on PPPs. The criterion was found to be applicable to this project. It is noted that this criterion will also be applicable to PPP evaluation in general.

*Substantial financial and institutional scope:* It is difficult to determine exactly what is meant by “substantial”, but it could be accepted that some minimum scale should be applied as a selection criteria. It would however be justifiable to ask whether “smaller” partnerships or partnerships where money does not change hands should be excluded as case studies, or whether they could not perhaps also contribute to a wider understanding of PPPs. As the real aim of this dissertation is not to evaluate partnerships, but rather to identify critical success factors, the researcher is hesitant to arbitrarily exclude partnerships from the discussion and this selection criterion will therefore not be applied in this project. It is noted that a research project could very well focus on partnerships with a specific scale or scope, and in such a case this criterion would be applicable.

Selection criteria for comparative case study analysis could also include more specific requirements in terms of *context and purpose*. Nijkamp *et al* (2002), for example, looked specifically at urban rejuvenation partnerships within the Netherlands. As intimated in the above discussion under “*PPP element*”, a wide variety of partnership types were identified in Chapter 2. It is held that it would not be beneficial to exclude any of these partnership types from the search for success factors because to exclude a type would be to pre-judge its ability to contribute lessons on PPP success. The same argument is applicable to the question whether

PPPs with specific purpose should be excluded. It is possible that a PPP in water and sanitation could assist in understanding success factors for a PPP in urban rejuvenation or one in scientific research, and therefore no PPP will be excluded from this investigation based on purpose. The title of this dissertation indicates its special focus on South Africa and it could be felt that a selection criterion for case studies could be that they should be South African. Such a parochial approach would not be beneficial as it will restrict opportunities to learn from others' failures and success. Once again the approach will be not to restrict or exclude, but rather to include as wide a geographic sample of PPPs as possible in the search for PPP success factors. It will still be appropriate to pay special attention to South African cases after looking at an international perspective. It is noted that this criterion would be useful for research or evaluation projects with more specific goals.

*Similarity in scope and size:* The use of this criterion will be determined by the goal of the evaluation being conducted. For the purpose of this research project a similarity in scope and size is not required because it may restrict or limit the collection of information on success and failure. The search for partnership success factors is purposely wide-ranging and little similarity in scope is expected. It can be argued that other evaluation projects may purposefully want to compare partnerships with differences in scale and scope. This criterion should therefore be used with care and only when appropriate to the evaluation project. It is noted that similarity in scope and size will be useful when a systematic comparative analysis of projects is required.

In summary, this subsection was used to evaluate the usefulness of various case study selection criteria for comparative case study analysis. It was established that some criteria are not useful for use in the necessarily wide-ranging investigation conducted in this dissertation, but that most selection criteria could be useful for evaluation purposes, depending on the goals of each specific evaluation project. In the next subsection the following process step in Nijkamp *et al's* (2002) evaluation process will be described and once again applied to the evaluation of case studies that is required within this dissertation.

## 5.2.2 Research fieldwork

The collection of information is a critical step in any research or evaluation project and also in a comparative case study analysis. The steps in the fieldwork process that Nijkamp *et al* (2002) used are listed below and will then be discussed individually. The following activities were carried out:

- Selection of potentially interesting cases;
- Exploration of willingness to co-operate among major stakeholders in the project concerned;
- Assessment of available information relevant for a systematic case-study approach;
- Execution of structured interviews with main parties involved;
- Collection of relevant data from study reports including 'grey' literature and experts; and
- Compilation of a systematic database on features and success factors.

*Selection of cases:* The selection of cases will be dependent on the purpose of the evaluation or research, and the criteria used to select case studies. Already discussed in detail in the previous subsection, the selection of suitable cases has bearing on the success of an evaluation. As mentioned in the previous subsection, the selection of cases is only possible where more than one case needs to be evaluated or when specific cases are not pre-indicated for evaluation. The selection of the case studies to be evaluated in the next chapter was based on the need to get as wide a range as possible of partnerships, while ensuring good representation from South African cases.

*Exploration of willingness to cooperate:* The exploration of the willingness of major stakeholders in the projects concerned to collaborate requires considerable field-work capacity. It is assumed that the project to evaluate nine PPPs, conducted by Nijkamp *et al* (2002), involved at least the three authors and quite possibly additional research assistants for a considerable time. The workload in this phase is significant because there will be several stakeholders for every PPP to be evaluated. The workload could be reduced by opting for telephonic or e-mail communication instead of personal meetings with stakeholders, but personal meetings are of course preferable

to all other means. This phase presented a major challenge for the PPP success factor research project conducted for this dissertation because of the many international examples included. The researcher did not have unlimited opportunities to visit the stakeholders of PPPs in their geographic settings and therefore had to rely on telephonic or e-mail channels for this purpose. A second complication was that some of the chosen partnerships had wrapped up and ceased to exist, with a resultant rapid reduction of directly involved stakeholders that could assist in evaluation. A third complication that developed was related to language barriers which effectively would have limited the research to PPPs in Anglophone countries or with Anglophone stakeholders.

Confronted by these challenges, the researcher had to decide on a course of action that would be meaningful and practical for a single researcher without support that needed to try and evaluate a worldwide sample of PPPs. The researcher decided to re-assess the need for contacting stakeholders and soliciting their collaboration for evaluation. The decision was made that direct contact with stakeholders would be sought, but that the absence of such contact should not disqualify a case study from further evaluation if sufficient information can be gathered through other means than stakeholder involvement. This approach was justifiable against the background of the earlier decision to reduce the information required per case study, as detailed and in-depth project-specific information would rarely be accessible without direct personal support from at least one PPP stakeholder. It could be argued that the reduction of information requirements and stakeholder contact would fatally weaken the envisaged comparative case study analysis. This would be true if the case study analysis was the sole source of data for this dissertation. The fact is that the case study analysis is not the main focus of this dissertation, it represents one of several layered data sources that are combined to arrive at a collection of critical success factors for PPPs. In the context of this dissertation, the PPP evaluation instrument that is progressively being developed in this dissertation is more important than the outcome of the case study analysis. The reason for this is that the evaluation tool will contain valuable indications of success factors.

The next step in the fieldwork process involves the *assessment of available information* relevant for a systematic case-study approach. This is once again a

time-consuming and labour-intensive but critically valuable process. This process would ideally entail meetings and direct contact with stakeholders and physical inspection of available information resources. For the PPP success factor research project, the researcher had to accept that only limited information would be available and that information would need to be collected using other means than direct access through stakeholders. It was realised that the research channels used for the preceding literature study could be re-employed to collect case-specific data, and that media channels that could report on PPPs could also provide case-specific information.

*Structured interviews:* The conducting of structured interviews still requires active participation by stakeholders and is also time-intensive. Structured interviews can be conducted via telephone and even e-mail, and this is mostly what the researcher had to resort to in the case of the PPP success factor research project, for those stakeholders that were able to collaborate. The structure of the interview could be determined by the evaluation areas identified in the development of the PPP evaluation tool that will be presented at the end of this project.

*Collection of relevant data:* In this stage the fieldworkers can collect information and documentation directly from collaborating stakeholders. This option was not available to the researcher except through electronic means.

*Compilation of a systematic database:* In an evaluation or research project where the outcome of the fieldwork will determine the success of the project, this phase will again take considerable time and effort. For the purpose of the PPP success factor research, this database contained the information that could be collected through collaboration from stakeholders or own research. The next step in the process entails the codification of case studies.

### **5.2.3 Codification of case studies**

The codification of case studies entails creating a database and establishing a database front-end that could present the available information in a compact and systematic form for comparative processes. With the lower information requirements

per case study that was decided on for the PPP success factor project, this step was not necessary. The next fieldwork step involves the detailed description of each case study.

#### **5.2.4 Detailed descriptions of each case study**

In this stage, there is a need for detailed description of the various attributes of the individual cases and systematic insight into:

- institutional arrangements;
- financing and risk elements;
- revenues and costs; and
- project organisation. (Nijkamp *et al*, 2002)

These areas of insight can be likened to the dimensions of character already described in earlier chapters. In the comparative analysis of case studies conducted by Nijkamp *et al* (2002), an extensive information system was built up comprising many detailed insights and the detailed systematic information was put into a data matrix in which both within-case data and cross-data patterns could be mapped out. The information in the database was qualitative in nature, using a categorical measurement scale (nominal, binary). This ultimately led to the construction of a codified data matrix as illustrated in the table below, which is a concise representation of all underlying field information. This multi-attribute table serves as the basis for a systematic comparison of the PPP projects which were being evaluated. The fields contained in the attribute table will be defined by the performance areas and performance indicators the evaluator chooses to use in the evaluation process. The following table illustrates the performance areas, performance indicators and range of possible scores that was used in the project.



**Table 5-1: Data matrix variables and evaluation indicators for a multi-attribute evaluation results table**

Evaluation category / Performance area	Evaluation variable / Performance indicator	Possible scores		
		1	2	3
Institutional Arrangement	Type of initiative	(Mainly) public with limited number of players	Mainly private or public-private with large numbers of players	
	Type of actors' co-operation	Traditional	Joint venture	Concession
	Spatial scope	Local	Regional	(Inter)national
Financing and risk	Financiers and risk-bearers	Mainly public	Mainly private	Joint public-private activity
	Awareness of different risk profiles of project parts	Yes	No	
Contractual arrangements	Transparency of profit(ability) requirements	Yes	No	
	Nature of contract	Global	Detailed	
Revenues and costs	Financial transparency	Good	Fair	Poor
	Soil pollution costs	High	Modest	Poor
	Expected rise in land price	Yes	No	
Project organisation	Selection procedure of partners	Open selection	Target group approach	Combination
	Stepwise approach to project components	Yes	No	

The table in effect describes the character of the different partnerships being evaluated. Note the soil pollution and land price aspect, which are specific to the type of project and PPP evaluated by Nijkamp *et al* (2002). The following table provides some sample data to illustrate how the table would be populated from the background database.

**Table 5-2: Table with sample data**

Evaluation category / Performance area	Evaluation variable / Performance indicator	Scores		
		Example 1	Example 2	Example 3
Institutional Arrangement	Type of initiative	1	2	2
	Type of actors' co-operation	3	1	2
	Spatial scope	1	1	2
Financing and risk	Financiers and risk-bearers	3	3	3
	Awareness of different risk profiles of project parts	2	1	2
Contractual arrangements	Transparency of profit(ability) requirements	2	1	1
	Nature of contract	2	2	1

Evaluation category / Performance area	Evaluation variable / Performance indicator	Scores		
		Example 1	Example 2	Example 3
Revenues and costs	Financial transparency	2	3	1
	Soil pollution costs	1	1	3
	Expected rise in land price	2	2	2
Project organisation	Selection procedure of partners	3	3	3
	Stepwise approach to project components	2	1	2

After each case study was described in great detail using the above instruments, Nijkamp *et al* (2002) moved on to the next step, which involved the determination of success.

### 5.2.5 Determining success

The determination of success was the final step in the process followed by Nijkamp *et al* (2002). The evaluation process is dependent on the definition of success. For this specific project, Nijkamp *et al* (2002:1870) interpreted success for urban revitalization PPPs as a positive contribution from the following perspectives:

- an executive and organisational perspective;
- an operational and marketing perspective; and,
- a contractual and building perspective.

The determination of success was based on extensive interviews with stakeholders, administrative representatives and local experts. A common assessment was made of the relative success scores of each urban project (and its constituent factors), taking into consideration the timing, the institutional environment, the scale, the user benefits and the contextual information of the projects. The following table illustrates the success or performance areas and the possible range of scores used in the project.

**Table 5-3: A three-dimensional success scoring instrument**

Success area	Possible scores				Case study X – example scores
	1	2	3	4	
Aggregate score	Unsatisfactory	Acceptable	Successful	Very successful	7
Executive and organisational	Unsatisfactory	Acceptable	Successful	Very successful	2
Operational and marketing	Unsatisfactory	Acceptable	Successful	Very successful	4

Success area	Possible scores				Case study X – example scores
	1	2	3	4	
Contractual and building	Unsatisfactory	Acceptable	Successful	Very successful	1

Nijkamp *et al* (2002:1873)

The following table provides an example of how the table would be filled in after an evaluation has been completed.

**Table 5-4: A three-dimensional success scoring instrument with example scores**

Success area	Case study X – example scores	Case study X – example scores	Case study X – example scores	Case study X – example scores
Aggregate score	7	4	9	7
Executive and organisational	2	1	3	1
Operational and marketing	4	1	3	2
Contractual and building	1	2	3	4

Nijkamp *et al* (2002:1873)

It is interesting to note that Nijkamp *et al* (2002) separated the success evaluation from the description of the partnerships. An exhaustive process was followed to collect information on the case studies, but this information was not used to determine success. Instead, interviews were used to determine success. Nijkamp *et al* (2002) then moved on to take the success measurement results and derive reasons for success from it by considering the character of the case study concerned. Using rough set analysis, they could arrive at rules such as: “If there is no clear awareness of the cost composition and risk distribution of different project parts, then the success score in terms of contractual and building performance is very poor.” The way in which the success of the case studies were determined through the quantitative collection of opinion instead of the evaluation of the case studies’ real performance gives substance to previous statements in this dissertation that success is a matter of opinion, while the interpretation of success shown here confirms a previous statement that success is also a matter of definition.

What also emerged from the description of the case study methodology is that the evaluation of a PPP will start with its description or characterisation and that

characterisation is in effect evaluation because it is not possible to evaluate something without describing it. Similarly, describing something automatically includes an evaluation. It is not possible to describe or characterise the colour of a car without first evaluating that colour. Evaluation is required before description can be done. The success evaluation conducted by Nijkamp *et al* (2002) also included a descriptive phase. Once the success evaluation was complete they could look at the earlier completed descriptions to identify characteristics of successful partnerships and critical success factors. The methodology shows that predominantly nominal and non-numerical qualitative data can effectively be used in PPP case study comparisons.

In summary, the case study methodology has been demonstrated to be applicable to PPP evaluation. A similar, although less detailed, approach will be used to evaluate the case studies in the next chapter. Less detail is required because the case study analysis is only one of several sources of success factors being explored in this dissertation. This section has focused more on method than on the identification of additional success factors, and therefore no newly identified success factors can be listed. In this section comparative case study analysis was described as an evaluation tool for PPPs. In the next section alternative approaches to evaluation will be discussed.

### **5.3 EVALUATION BASED ON CHARACTERIZATION**

The categories of success factors emerging from the considerable collection of success factors that have been collected through the preceding two chapters identified at the end of the previous chapter could also serve as a departure point for the identification of key performance areas for PPP evaluation. Performance areas can also be called dimensions of performance, and dimensions of performance would indicate the dimensions of character of a partnership (Refer discussion of dimensions of character in previous chapter). Müller (2008) proposes a framework for the assessment of collaborative environmental governance structures that allows for the characterization (and therefore basic evaluation) of different governance structures or networks. This approach is similar to the dimensions of character that was described in the previous chapter (See Figure 4.11. on page 275). Müller argues that such a

characterization could also assist in the evaluation of the performance of governance structures. Such a framework for evaluation and characterization could prove useful in the context of this dissertation and specifically this chapter on the evaluation of PPPs, especially since Müller looks at collaborative structures and PPPs are also collaborative structures. The idea to use characterization or dimensions of character for evaluation will also be implemented in this dissertation as already indicated in this section. The table below shows Müller's criteria and description in the first and second column, with additional interpretation added to relate these to PPP concepts, characterization and performance evaluation in the third, right-hand column. Suggestions on the use of the criteria for PPP characterization will also be made in the right-hand column, and some indication of how each criterion can be presented in a measuring tool will also be provided.

**Table 5-5: A framework for the characterization of collaborative structures**

<b>Criteria</b>	<b>Description</b>	<b><i>Interpretation and linkages with PPP concepts</i></b>
Scope	The set of concerns that is addressed through the coordination arrangements, no matter whether they are environmental policies or management activities	<i>This criterion could be equated to the goal or objective of a partnership and its anticipated outcomes as well as the setting of the PPP. For the purpose of PPP characterization, this criterion will be renamed Purpose and setting. Unique descriptions will be required for each PPP.</i>
Position	The stakeholders and role-players that are involved in the coordination activities and their roles in the setting (e.g. agency, user group, coordinator)	<i>This criterion seems less concerned with the position of the governance structure than the names and positions of roleplayers within the structure, and seems to be seen from the perspective of a specific role-player or person representing a role-player. For the purpose of PPP characterization, this criterion will be renamed to Structural relationships and positions. Unique descriptions will be required for each PPP.</i>
Boundary	How specific individuals and stakeholders enter or leave those positions (e.g. whether by means of appointment, nomination or election)	<i>This criterion relates to internal governance of positions and the representation of stakeholders, as well as to rules around decision making about positions. For the purpose of PPP characterization this criterion will be renamed Representation rules. Unique descriptions will be required for each PPP.</i>

Criteria	Description	<b>Interpretation and linkages with PPP concepts</b>
Authority	The coordination activities (i.e. information exchange or conflict resolution) in which position holders can or cannot participate, as well as the constraints on autonomy and/or individual action and the basis of power (e.g. legislation, plan, administrative policy or informal agreement)	<i>Three dimensions of authority are discernable here. Firstly the limits of authority for participation of individual position holders as mandated or imposed by the organizations they represent. Secondly, possibly, the limits to authority imposed by the governance structure or partnership itself – which relates to decision-making. Thirdly the source or basis of authority for the partnership itself. The name of this criterion will be used as-is, but with sub-categories, for PPP characterization. Unique descriptions will be required for each PPP.</i>
Information and knowledge management	The kinds, forms, timing and processes of information exchange among the different position holders (e.g. shared database, monthly meetings or electronic networks)	<i>This criterion is similar to Welborn and Kasten's Collaborative Landscape and more specifically the Jericho Zone, where walls between parties are broken down to enable closer collaboration. One such "breaking down of the walls" would be the use of common databases and even common technology and productivity tools. The criterion can be used for PPP characterization in its present form. Unique descriptions will be required for each PPP, although frequency of meetings can be presented on a continuum.</i>
Decision making	The position holders' procedure for making collective decisions and resolving conflicts (e.g. by means of general consensus or voting procedures)	<i>This criterion focuses on individual position holders, but the same theme as mentioned above in Boundary and Authority. Basically the question is: "How are decisions made in this partnership?" The criterion can be used as-is for PPP characterization. If a limited number of decision-making options can be defined, this criterion can be indicated per PPP by a multiple choice range.</i>
Pluriformity	The extent to which the networks are integrated, in so far as this will influence their likelihood of producing effective coordination (such as their level of integration, determining whether they can be treated as a single organization, or need to be treated as semi-autonomous organizations)	<i>A rather obscure term, the multiplicity of forms of collaboration is rather unattached to the description used. If networks in the plural are used then the idea here is that more than one network is collaborating. The real point of evaluation is whether the degree of integration supports effective coordination. It might however be a mistake to equate degree of integration with ability for coordination. It is not impossible for unintegrated networks or organizations to demonstrate effective coordination. This criterion will be renamed to Level of integration and coordination, and it can be presented on a continuum from low to high.</i>
Inter-dependence	The extent of interdependence between the different entities making up the network, in so far as this influences styles of interaction and relationships (e.g. loosely coupled or closely interconnected), which in turn influences their likelihood of producing effective coordination	<i>This criterion also relates to integration and effective coordination, but is more focused on interdependence, where the partners need each other. The contention is that interdependence will foster effective coordination, possibly out of necessity. The criterion will remain as is for PPP characterization and can be presented on a continuum from low to high.</i>

Criteria	Description	<b>Interpretation and linkages with PPP concepts</b>
Formality	The level of formality, in so far as this influences their likelihood of producing effective coordination	<i>This criterion is appropriate for PPP characterization and can remain as is. Formality can be presented on a continuum from low to high.</i>
Instruments	The nature of the instruments used (i.e. planning, formal regulations or contracts) as this influences their likelihood of producing effective coordination	<i>This criterion relates to coordination again, this time dependent on the nature of instruments used – linking to formality as described above. A PPP's character in terms of instruments used will need to be described individually if a limited set of instruments cannot be defined that can be presented in a multiple choice range.</i>
Leadership	The presence of clear government commitment and leadership at the highest level effectively communicated to the various sectors of government machinery and across levels of government	<i>This criterion links to the need for a supportive environment. For the purpose of PPP characterization it can be renamed Public leadership to discern it from the leadership required within the private partner. It is worth noting that this leadership also includes effective communication, almost advocacy. This criterion can be presented in a checklist with space for additional unique comments.</i>
Institutional readiness	<p>The degree to which jurisdictions are aware of, and primed for, engaging each other in collaborative governance of the different entities in terms of</p> <ul style="list-style-type: none"> <li>• The level of citizen and community interest and involvement</li> <li>• The availability of existing institutions and organizations for regional governance</li> <li>• The degree of practical experience in formal and informal cross-sectional coordination and cooperation, and</li> <li>• The amount of knowledge and appreciation of the missions, goals and objectives of the other participants</li> </ul>	<p><i>This criterion encompasses several characterizations that can be used to describe PPPs.</i></p> <ul style="list-style-type: none"> <li>• <i>Partner readiness for partnership</i></li> <li>• <i>Citizen and community interest and involvement</i></li> <li>• <i>Presence of potential partners</i></li> <li>• <i>Previous partnership experience</i></li> <li>• <i>Intra-partnership awareness of other partners' missions, goals and objectives</i></li> </ul> <p><i>The criterion can be used as-is with sub-components. Each of the 5 sub-components can be presented on a continuum from low to high.</i></p>
Redundancy	This occurs where overlap is an outcome of cooperative arrangements with two or more organizations performing the same task. (Refer Jones and Thompson, 2007, where restructuring of government could include shedding non-core competencies within the mission of the specific agency to other entities.)	<i>This criterion is applicable to PPP characterization but will be renamed Overlap and duplication to make it clearer. This criterion could be presented on a continuum from low to high.</i>

Criteria	Description	Interpretation and linkages with PPP concepts
Incoherence	This arises where the cooperative arrangements are characterized by policies with the same clients, who have different goals and requirements.	<i>This criterion relates to a situation where policies with different goals and requirements are applied to clients that do not differ so significantly that they need different policies. Such a situation could confuse clients and create suspicion of double standards. The criterion will be renamed in a positive sense to Policy consistency and can be presented on a continuum from low to high.</i>
Lacunae	(A "lacuna" is a gap, missing part, or unclear area in an idea, or theory) These are marked by failure of the cooperative arrangements, because of the absence of any organization performing a necessary task.	<i>This criterion relates to partner failures and responsibility allocation failures, but the most descriptive term is possibly partnership governance- and delivery gaps. It is applicable to PPP characterization and can be presented on a continuum from low to high with space for further elaboration of unique information if required.</i>

When Müller defines the different criteria that can be used to characterize collaborative structures, he frequently refers to effective coordination. Effective coordination is perhaps the most fundamental requirement for partnership success, but can be expressed more vividly by the words purposeful collaboration. Effective cooperation, or purposeful collaboration, is considered to be important enough to warrant an additional criterion for characterization, as illustrated and described below:

Criteria	Description	Interpretation and linkages with PPP concepts
Purposeful collaboration	The effectiveness of cooperation within the partnership. More visible in its absence than otherwise, it relates to positively working towards a common goal and making solid contributions. Purposeful collaboration can also be seen in working intelligently with combined resources and ensuring economy and efficiency in what is done.	<i>This criterion can be difficult to measure in any other way than the quantitative collection of opinions, but is a critical indicator nonetheless.. It may be possible to use the presence of structures to enable collaboration as a proxy indicator but there may be no direct relationship between the availability of structures and collaboration, just as there is no consistent relationship between road speed restrictions and the speed of travel of road-users. This criterion is applicable to PPPs. A qualitative score on a range from low to high can be assigned for each PPP.</i>

By interpreting and compiling all the comments in the right-hand column of the tables above, a new characterization framework that is specifically applicable to PPPs can be developed. The following table is the result of this process.



**Table 5-6: A derived PPP characterization framework**

<b>PPP Characterization Criteria</b>	<b>How characterization can be presented</b>
Purpose and setting	<i>Unique descriptions will be required for each PPP.</i>
Structural relationships and positions	<i>Unique descriptions will be required for each PPP.</i>
Representation rules	<i>Unique descriptions will be required for each PPP.</i>
Authority <ul style="list-style-type: none"> <li>• <i>limits of representatives' mandate</i></li> <li>• <i>limits to internal authority</i></li> <li>• <i>source or basis of authority for the partnership itself.</i></li> </ul>	<i>Unique descriptions will be required for each PPP.</i>
Information and knowledge management	<i>Unique descriptions will be required for each PPP, although frequency of meetings can be presented on a continuum.</i>
Decision making	<i>If a limited number of decision-making options can be defined, this criterion can be indicated per PPP by a multiple choice range.</i>
Level of integration and coordination	<i>This criterion can be presented on a continuum from low to high.</i>
Interdependence	<i>The criterion can be presented on a continuum from low to high.</i>
Formality	<i>Formality can be presented on a continuum from low to high.</i>
Instruments	<i>A PPP's character in terms of instruments used will need to be described individually if a limited set of instruments cannot be defined that can be presented in a multiple choice range.</i>
Public Leadership	<i>This criterion can be presented in a checklist with space for additional unique comments.</i>
Institutional readiness <ul style="list-style-type: none"> <li>• <i>Partner readiness for partnership</i></li> <li>• <i>Citizen and community interest and involvement</i></li> <li>• <i>Presence of potential partners</i></li> <li>• <i>Previous partnership experience</i></li> <li>• <i>Intra-partnership awareness of other partners' missions, goals and objectives</i></li> </ul>	<i>Each of the 5 sub-components can be presented on a continuum from low to high.</i>
Overlap and duplication	<i>This criterion could be presented on a continuum from low to high.</i>
Policy consistency	<i>Policy consistency and can be presented on a continuum from low to high.</i>
Partnership governance- and delivery gaps	<i>This criterion can be presented on a continuum from low to high with space for further elaboration of unique information if required.</i>
Purposeful collaboration	<i>A qualitative score on a range from low to high can be assigned for each PPP.</i>

While some of the characterization criteria identified above are purely descriptive, others have elements of performance evaluation in them and could therefore become part of an exercise to determine performance areas for PPPs. As mentioned in the previous section, some degree of evaluation is required in order to categorize something. The characterization that can be done using the above table would therefore necessarily require a degree of evaluation of each partnership. The table

above also reminds one of Nijkamp *et al's* (2002) data matrix as illustrated on page 329 in the previous section. It should be remembered that success can also be a matter of perception or personal opinion. This point was also raised in the previous section. It can be argued that a partnership would automatically suffer from differences of opinion regarding success due to the fact that a partnership will contain at least two dramatically different organizations with divergent skills, attitudes and priorities.

Added to possibly conflicting perceptions inside the partnership, various stakeholders could also have contrasting perceptions regarding the performance of a PPP. A politician who was involved in the conception of the PPP would have different perceptions than a citizen who is a client of the PPP, who would in turn not have the same perception as the private entity who also wanted to be part of the PPP but lost the bid, or the shop steward from the trade union whose members are affected by the PPP. The implication of these different perspectives on success is that evaluation of PPPs should be sensitive for the influence of differing perceptions and should ideally promote transparency and inclusivity in the evaluation process. The following success factors can be derived from the derived PPP characterization framework that was developed in this section:

- Defined purpose
- Defined structural relationships
- Clear mandates and authority
- Efficient knowledge and information management
- Defined and efficient decision-making
- Appropriate levels of integration and coordination
- Appropriate levels of interdependence
- Appropriate levels of formality
- Use of appropriate management instruments
- Public leadership
- Partner readiness for partnership
- Citizen and community interest and involvement
- Available potential partners
- Previous partnership experience

- Intra-partnership awareness of other partners' missions, goals and objectives
- Low overlap and duplication
- Policy consistency
- Limited governance and delivery gaps
- Purposeful collaboration

These success factors will be combined with success factors from other sections for analysis at the end of this chapter. This section saw the discussion of how the characterization or description of a PPP could allow basic evaluation. It was shown that performance indicators can be developed through characterization and that an effort to describe a PPP leads directly to some basic form of evaluation. A PPP characterization framework was developed that can contribute to the PPP success measurement instrument that is developed in this chapter. In the next section the current discourse on the evaluation of PPPs will be continued by considering the implications of definitions for performance evaluation.

#### **5.4 THE PURPOSE- AND PERFORMANCE IMPLICATIONS OF DEFINITIONS**

The discussion of the evaluation of PPPs commenced in the previous section, with the explanation of a standard case-study comparison as one way of evaluating partnerships. The development of a measurement instrument for PPPs was described and several performance areas have been identified for use in an evaluation tool. In this section additional performance areas and performance indicators will be established by breaking PPP definitions down into their component parts.

The definition of an entity which delivers a service is perhaps more important in terms of performance management than one would at first expect. This is because the measurement of success could be dependent on definition. How partnerships are defined will also define how success should be measured. If one defines a car as a self-propelled vehicle which is used to convey people and goods from one place to another, there is an expectation that the car should be able to move, and one could then expect to measure how good a car it is by determining how good it is at moving people and goods. If one defines a car as "a metal box with four wheels", there is no

expectation flowing from the definition that the car would be able to move at all, and whether it is a good car would depend solely on whether it is a metal box and has four wheels. The purpose of the car is restricted in the second definition to being a metal box with four wheels. For the purpose of the argument in this dissertation, the elements within a definition that give clues regarding the purpose of the defined service delivery entity, will be called **assumed purpose components** of definitions by the researcher. The purpose components in a definition can be used to derive **assumed performance measurement indicators**. From the definition of a car as a self-propelled vehicle which is used to convey people and goods from one place to another, the assumed purpose components could be “self-propelled vehicle”, “convey people”, “convey goods”, and “from one place to another”. One could then derive assumed performance indicators from these purpose components as illustrated in the table below:

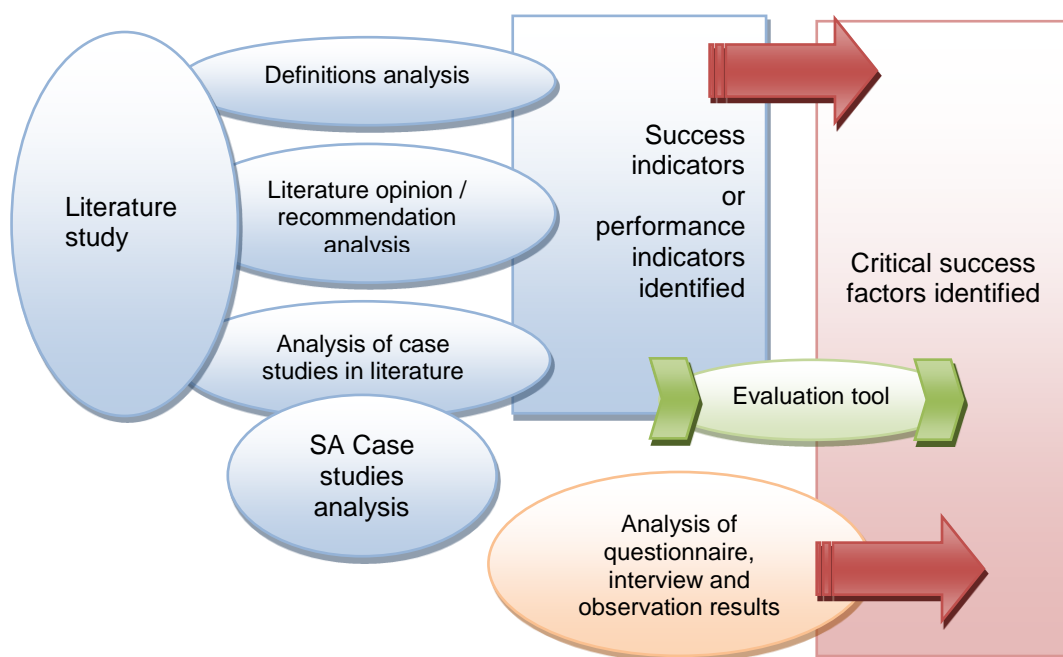
**Table 5-7: Definition Analysis: Example**

Definition	Assumed purpose components identified in the definition	Assumed performance indicators derived from the purpose components
A car as a self-propelled vehicle which is used to convey people and goods from one place to another.	self-propelled vehicle	How much energy does the car use to propel itself. How far and how long can the car propel itself.
	convey people	How many people can be conveyed at the same time. How many people can be conveyed in a specific period of time.
	convey goods	How much goods can be conveyed at the same time. How much goods can be conveyed in a specific period of time.
	from one place to another	What is the range of the car. What kind of terrain can the car cross. How fast can the car travel.

A specific definition of a public-private partnership could similarly be analysed to arrive at purpose components and performance indicators. This will be done in following sections of this chapter. As each definition is described, definition components will be identified and success indicators will be derived from the components of the definitions. The success indicators can in turn be used to derive

critical success factors. The success indicator can be used to measure the performance of a partnership, while the critical success factor can form part of a checklist for public managers to evaluate the merits of a proposed partnership. Success indicators are used in this chapter to develop an evaluation instrument, while the derived critical success factors identified in this chapter through the analysis of definitions will be discussed in more detail in Chapter 7, along with success factors identified through case study analysis, questionnaires and interviews.

**Figure 5.1: A graphic representation of the success factor identification process in this dissertation**



The figure above describes the process through which critical success factors are identified in this dissertation. It also shows how an evaluation tool will be developed out of the identified performance indicators, and in turn will contribute to the further identification of success factors. It would be possible to compare the performance indicators for a specific service delivery entity which was derived from the definition of that entity with official purpose statements and performance indicators, as well as observed functions and performance, and thus to improve the definition of the service delivery entity to something more truly reflective of its real purpose. In later sections of this chapter, when definitions of public-private partnerships are analysed, shortcomings in definitions may be identified and amendments to definitions may be

proposed. In this section the purpose and performance implications of definitions were discussed and it was found that:

- How an entity is defined will influence assumptions on purpose and performance measures.
- By identifying purpose components in a definition and then deriving performance measurement indicators, one could create an instrument with which to improve the definition of a specific entity by comparing the entity and its existing characteristics with the derived performance indicators.

The analysis of definitions to determine success indicators will commence in the following subsection, the SA Treasury definition of a PPP will be the first definition to be analysed.

#### **5.4.1 Definition 1: SA Treasury**

The SA Treasury definition of a PPP will now be examined according to the process described in section 5.4 above, where assumed purpose components and performance indicators are derived from a definition.

The assumed purpose components from the PPP definition of the SA Treasury are:

- a contractual arrangement is made;
- between a public sector entity and a private sector entity;
- the private sector performs a departmental function;
  - In accordance with an output-based specification;
  - For a specified, significant period of time;
- for performing this function, the private sector receives a benefit, normally in the form of financial remuneration;
- the arrangement involves a substantial transfer of all forms of project life cycle risk to the private sector;
- the public sector retains a significant role in the partnership project either as
  - the main purchaser of the services provided;
  - or as the main enabler of the project.

The following assumed performance indicators can be derived from this Treasury definition:

- a contractual arrangement must be in place;
- a public sector entity and a private sector entity must be involved;
- the private sector entity must perform a departmental function
  - for which an output-based specification was drawn up;
  - for the duration of a significant period of time which has been specified;
- the private sector must receive a benefit for performing the service, normally in the form of financial remuneration;
- a substantial transfer of all forms of project life cycle risks to the private sector is effected;
- the public sector must remain a significant role-player in the partnership project as either the
  - main purchaser of the services provided; or
  - main enabler of the project.

Table 5-8 on page 344 presents the above analysis in table form. If the SA Treasury definition of a PPP is correct, then the performance indicators derived from the definition could be used as a check-list to determine the success or failure of a partnership. There would however be fundamental errors in the exclusive use of the above indicators, which will be illustrated later in this chapter. The implication of these fundamental errors would be that the SA Treasury definition of a partnership is not accurate and should be reviewed, or at least that the SA Treasury definition of a PPP is not appropriate for use as performance benchmark.

**Table 5-8: Definition analysis: PPP**

Definition	Assumed purpose components identified in the definition	Assumed performance indicators derived from the purpose components
<p>A PPP is a contractual arrangement between a public sector entity and a private sector entity whereby the private sector performs a departmental function in accordance with an output-based specification for a specified, significant period of time in return for a benefit, which is normally in the form of financial remuneration. It furthermore involves a substantial transfer of all forms of project life cycle risk to the private sector. The public sector retains a significant role in the partnership project either as the main purchaser of the services provided, or as the main enabler of the project</p>	A contractual arrangement is made	A contractual arrangement must be in place
	Between a public sector entity and a private sector entity	A public sector entity and a private sector entity must be involved
	<p>The private sector performs a departmental function...</p> <ul style="list-style-type: none"> <li>• In accordance with an output-based specification</li> <li>• For a specified, significant period of time</li> </ul>	<p>The private sector entity must perform a departmental function</p> <ul style="list-style-type: none"> <li>• For which an output-based specification was drawn up</li> <li>• For which a significant period of time has been specified</li> </ul>
	For performing this function, the private sector receives a benefit, normally in the form of financial remuneration	The private sector must receive a benefit for performing the service, normally in the form of financial remuneration
	The arrangement involves a substantial transfer of all forms of project life cycle risk to the private sector	A substantial transfer of all forms of project life cycle risks to the private sector is effected
	<p>The public sector retains a significant role in the partnership project either as</p> <ul style="list-style-type: none"> <li>• the main purchaser of the services provided</li> <li>• or as the main enabler of the project.</li> </ul>	<p>The public sector must remain a significant role-player in the partnership project as either the</p> <ul style="list-style-type: none"> <li>• Main purchaser of the services provided or</li> <li>• Main enabler of the project</li> </ul>



#### 5.4.2 Definition 2: World Bank

The World Bank (2008) defines a road-building PPP as constituting:

*a sustained collaborative effort between the public sector (government agencies) and private enterprises to achieve a common objective (e.g., the road project) while they pursue their own individual interests. In a PPP each partner:*

- shares in the design of a road project;*
- contributes a portion of the financial, managerial and technical resources needed to execute and sometimes operate the project in accordance with each partner's comparative advantage; and*
- partially shoulders the risks associated with the project and obtains the benefits - those expected by each partner - that the project creates.*

This definition should be applicable to most PPPs from the World Bank perspective, and will now be examined according to the process described in section 5.4 above, where assumed purpose components and performance indicators are derived from a definition. The assumed purpose components from the PPP definition of the World Bank are:

- a sustained collaborative effort;
- between the public sector and private enterprises;
- to achieve a common objective;
- while they pursue their own individual interests;
- each partner shares the design of the project;
- each partner contributes a portion of the financial, managerial and technical resources required to execute and operate the project in accordance with each partner's comparative advantage;
- each partner partially shoulders the risks associated with the project and obtains the benefits – those expected by each partner – that the project creates.

The following assumed performance indicators can be derived from this World Bank definition:

- there is evidence of a sustained collaborative effort;
- the public sector and private enterprises are involved;
- a common objective is being pursued;
- individual interests of partners are pursued;
- partners share the design or planning for the project;
- partners contribute portions of the
  - financial,
  - managerial, and
  - technical resources required to execute and operate the project;
- partner contributions focus on each partner’s comparative advantage;
- project risk is shared between partners;
- all partners obtain a pre-defined benefit.

The assumed performance indicators derived from the SA Treasury and the World Bank definitions are compared in the table below. Similar indicators are put next to each other. Where there is no similar indicator, the space in the facing column is left open.

**Table 5-9: A comparison of derived PPP performance indicators**

Definition 1: SA Treasury	Definition 2: World Bank
a contractual arrangement must be in place	
	there is evidence of a sustained collaborative effort
a public sector entity and a private sector entity must be involved	the public sector and private enterprises are involved
the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>○ for which an output-based specification was drawn up</li> <li>○ for which a significant period of time has been specified</li> </ul>	
	a common objective is being pursued

Definition 1: SA Treasury	Definition 2: World Bank
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration	
	individual interests of partners are pursued
a substantial transfer of all forms of project life cycle risks to the private sector is effected	
	project risk is shared between partners
	partners share the design or planning for the project
the public sector must remain a significant role-player in the partnership project as either the <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>	
	partners contribute portions of the <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> </ul> technical resources required to execute and operate the project
	partner contributions focus on each partner's comparative advantage
	all partners obtain a pre-defined benefit

The comparison of the two definitions reveal only one common performance indicator, which is quite surprising as one would imagine that there should be a high correlation between the approaches to PPPs of a national treasury and an international financial institution like the World Bank. The SA Treasury definition has contributed five unique indicators, and the World Bank definition contributed eight unique indicators.

### 5.4.3 Definition 3: OECD and IMF

The Organization for Economic Co-operation and Development (OECD) defines PPPs as:

*arrangements whereby the private sector provides infrastructure assets and services that traditionally have been provided by government, such as hospitals, schools, prisons, roads, bridges, tunnels, railways, and water and sanitation plants (OECD, 2007).*

The use of the word “traditional” in the OECD definition can be questioned. It should be noted that despite the OECD definition, none of the service mentioned were actually provided by the public (government) sector first, never mind “traditionally”. The oldest school in England, The King’s School in Canterbury, founded in 567, was and is an “independent” or private school. Hebrew schooling in Syria between 1800 and 1000 BC was associated with religious education and was not government-funded. The first formal school in South Africa, opened on 17 April 1658 for the first shipment of slaves that arrived in the Cape, was owned by the private Dutch East India Company (SAHO, 2009). The first hospitals established in the US between 1750 and 1850 were voluntary hospitals established by private charitable organizations (Starr, 1982), while the earliest known institutions aiming to provide cure were Egyptian temples, signifying a link between religion and medicine with no public or government sector involvement (McGrew, 1985:134–135). San Quentin prison in the US was opened as a private enterprise in 1852 while earlier, after the American Revolution, the confinement and care of prisoners was contracted out. The early provision of public water sources through private investment is also highlighted elsewhere in this dissertation.

Returning to the OECD definition of PPPs, cases where the private operator has some responsibility for asset maintenance and improvement are also, according to the OECD, described as concessions. While the OECD argues that there is no clear agreement on what does or does not constitute a PPP, the OECD opinion is that PPP should involve the transfer of risk from the government to the private sector (IMF, 2007, cited in OECD, 2007). Risk transfer is however not mentioned in the definition and is therefore discounted for the purpose of the definition analysis that is being

conducted in this section. The definition will now be examined according to the process described in section 5.4 above, where assumed purpose components and performance indicators are derived from a definition. The assumed purpose components from the PPP definition of the OECD are:

- Private sector provides: infrastructure assets and services;
- Infrastructure assets and services that have been provided by government.

The following assumed performance indicators can be derived from the OECD definition:

- The private sector provides infrastructure or a service that the public sector previously provided.

The OECD and IMF definition is not elaborate, and in fact has very little that can be derived from it in terms of assumed purpose-components and assumed performance indicators. The assumed performance indicators derived from the SA Treasury, World Bank and OECD / IMF definitions are compared in the table below. Comparable indicators are put next to each other. Where there is no comparable indicator, the space in the facing column is left open.

**Table 5-10: A comparison of PPP performance indicators**

<b>Definition 1: SA Treasury</b>	<b>Definition 2: World Bank PPP definition</b>	<b>Definition 3: OECD and IMF definition</b>
a contractual arrangement must be in place		
	there is evidence of a sustained collaborative effort	
a public sector entity and a private sector entity must be involved	the public sector and private enterprises are involved	
the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>o for which an output-based specification was drawn up</li> <li>o for which a significant period of time has been specified</li> </ul>		The private sector provides infrastructure or a service that the public sector previously provided
	a common objective is being pursued	
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration		
	individual interests of partners are pursued	
a substantial transfer of all forms of project life cycle risks to the private sector is effected		
	project risk is shared between partners	
	partners share the design or planning for the project	

Definition 1: SA Treasury	Definition 2: World Bank PPP definition	Definition 3: OECD and IMF definition
the public sector must remain a significant role-player in the partnership project as either the <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>		
	partners contribute portions of the <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> </ul> technical resources required to execute and operate the project	
	partner contributions focus on each partner's comparative advantage	
	all partners obtain a pre-defined benefit	

In this comparison the OECD definition has not contributed any unique indicators. In keeping with the objective of this section, which is to derive success factors from PPP definitions, it will be necessary to develop a single list of performance indicators from which success factors can be derived. Separate lists of success factors will therefore be aggregated into one single list. In the next table the three lists of performance indicators are aggregated into a single list by removing or combining duplicates and adding unique items.

**Table 5-11: A combination of PPP performance indicators**

<b>Combined definitions 1 - 3</b>
a contractual arrangement must be in place
there is evidence of a sustained collaborative effort
a public sector entity and a private sector entity must be involved
The private sector provides infrastructure or a service that the public sector previously provided the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>○ for which an output-based specification was drawn up</li> <li>○ for which a significant period of time has been specified</li> </ul>
a common objective is being pursued
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration
individual interests of partners are pursued
a substantial transfer of all forms of project life cycle risks to the private sector is effected project risk is shared between partners
partners share the design or planning for the project
the public sector must remain a significant role-player in the partnership project as either the <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>
partners contribute portions of the <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> </ul> technical resources required to execute and operate the project
partner contributions focus on each partner's comparative advantage
all partners obtain a pre-defined benefit

It is now possible to analyse more PPP definitions to determine whether additional success factors can be derived which is not yet included in the aggregated list.



#### 5.4.4 Definition 4: Jamali

The definitions analysed thus far in this section are perhaps lacking in variety of origin, because it can be safely assumed that the World Bank, IMF and OECD would have similar approaches to the PPP concept. It is therefore considered prudent to also analyse a definition from a significantly different source. The definition chosen for this purpose comes from Beirut in Lebanon, from a paper, written in 2004 by Dima Jamali, on PPPs in the Lebanese telecommunications sector. Jamali frames his definition from Nijkamp, Van der Burch and Vindigni who in 2002 published a comparative institutional evaluation of public-private partnerships in Dutch urban land-use and revitalisation projects. Jamali's reference back to a European publication may seem threatening to the "otherness" of this definition, but Nijkamp *et al's* (2002) paper was written for an urban studies journal from an academic perspective, and does not provide a reference for their definition, and therefore can be considered as having a sufficiently different origin from the international financial organisation examples already cited. Jamali states that a PPP is an institutional form of cooperation of public and private actors, who on the basis of their own indigenous objectives, work together towards a joint target (Nijkamp *et al.*, 2002, cited in Jamali, 2004). The original definition in Nijkamp *et al* (2002:1869) reads:

*A PPP is an institutionalised form of co-operation of public and private actors who, on the basis of their own indigenous objectives, work together towards a joint target, in which both parties accept investment risks on the basis of a predefined distribution of revenues and costs.*

In practice, a PPP is not a fixed structural model for collaboration between public and private partners, but just a tailor-made organisation for the realisation of a given project. Flexibility, speed, cost efficiency and, in general, reduction of transaction costs are the main benefits of a PPP (Nijkamp *et al.*, 2002:1869). The definition will now be examined according to the process described in section 5.4 above, where assumed purpose components and performance indicators are derived from a definition.

**Table 5-12: Definition Analysis: Jamali**

Definition	Assumed purpose components identified in the definition	Assumed performance indicators derived from the purpose components
A PPP is an institutional form of cooperation of public and private actors, who on the basis of their own indigenous objectives, work together towards a joint target (Nijkamp <i>et al.</i> , 2002, cited in Jamali, 2004).	An institutional form	A recognisable institutional form is established
	Cooperation between public and private actors	Public and private actors are involved
		There is cooperation between actors
	Actors working from indigenous objectives	Actors are pursuing their own objectives
Joint target (working together)	Actors are at the same time working towards a joint target or objective	

In the next table the aggregated list of performance indicators is compared with the list of indicators derived from the current definition.

**Table 5-13: A comparison of PPP performance indicators**

Combined definitions 1 - 3	Definition 4: Jamali
	A recognisable institutional form is established
a contractual arrangement must be in place	
there is evidence of a sustained collaborative effort	There is cooperation between actors
a public sector entity and a private sector entity must be involved	Public and private actors are involved
The private sector provides infrastructure or a service that the public sector previously provided the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>○ for which an output-based specification was drawn up</li> <li>○ for which a significant period of time has been specified</li> </ul>	
a common objective is being pursued	Actors are at the same time working towards a joint target or objective
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration	
individual interests of partners are pursued	Actors are pursuing their own objectives
a substantial transfer of all forms of project life cycle risks to the private sector is effected	
project risk is shared between partners	
partners share the design or planning for the project	
the public sector must remain a significant role-player in the partnership project as either the <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>	

Combined definitions 1 - 3	Definition 4: Jamali
partners contribute portions of the <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> </ul> technical resources required to execute and operate the project	
partner contributions focus on each partner's comparative advantage	
all partners obtain a pre-defined benefit	

An additional list of indicators will be added to this table from the next definition before aggregating the lists to a single list.

#### 5.4.5 Definition 5: SEED

The previous definition analysed was chosen because it contributed to variety. The SEED definition adds additional variety due to the origins and focus of SEED itself. The SEED Initiative is a global partnership for action on sustainable development and the green economy. Founded by UNEP, UNDP and IUCN at the 2002 World Summit on Sustainable Development in Johannesburg, SEED supports innovative small-scale and locally driven entrepreneurs around the globe which integrate social and environmental benefits into their business model. The goal of SEED is to support the ability of such entrepreneurs to scale up or replicate their activities. This, according to SEED, furthers their contribution to their local economies and communities while promoting sustainable management of natural resources and ecosystems and reducing poverty, marginalisation and exclusion. SEED works with a specific type of PPP, multi-stakeholder partnerships, and define these as:

*social entrepreneurs, communities, women's groups, companies and others, holding a common vision and pooling their resources to achieve it.*

The definition will now be examined according to the process described in section 5.4 above, where assumed purpose components and performance indicators are derived from a definition.

**Table 5-14: Definition Analysis: SEED**

<b>Definition</b>	<b>Assumed purpose components identified in the definition</b>	<b>Assumed performance indicators derived from the purpose components</b>
social entrepreneurs, communities, women’s groups, companies and others, holding a common vision and pooling their resources to achieve it	Stakeholders including social entrepreneurs, communities, women’s groups, companies and others	Some or all of the following role-players are involved: Stakeholders including social entrepreneurs, communities, women’s groups, companies and others
	A common vision	Role-players hold a common vision
	Pooling resources	Role-players pool their resources
	Achieving a common vision	Role-players achieve common goals

The list of performance indicators derived from the SEED definition is added to the aggregated list and the Jamali list from above in the next table.

**Table 5-15: A combination of PPP definitions**

Combined definition	Definition 4: Jamali	Definition 5: SEED
		Some or all of the following role-players are involved: Stakeholders including social entrepreneurs, communities, women's groups, companies and others
	A recognisable institutional form is established	
		Roleplayers pool their resources
		Roleplayers achieve common goals
a contractual arrangement must be in place		
there is evidence of a sustained collaborative effort	There is cooperation between actors	
a public sector entity and a private sector entity must be involved	Public and private actors are involved	
<p>The private sector provides infrastructure or a service that the public sector previously provided</p> <p>the private sector entity must perform a departmental function</p> <ul style="list-style-type: none"> <li>o for which an output-based specification was drawn up</li> <li>o for which a significant period of time has been specified</li> </ul>		
a common objective is being pursued	Actors are at the same time working towards a joint target or objective	Role-players hold a common vision

Combined definition	Definition 4: Jamali	Definition 5: SEED
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration		
individual interests of partners are pursued	Actors are pursuing their own objectives	
a substantial transfer of all forms of project life cycle risks to the private sector is effected		
project risk is shared between partners		
partners share the design or planning for the project		
<p>the public sector must remain a significant role-player in the partnership project as either the</p> <ul style="list-style-type: none"> <li>o main purchaser of the services provided or</li> <li>o main enabler of the project</li> </ul>		
<p>partners contribute portions of the</p> <ul style="list-style-type: none"> <li>o financial,</li> <li>o managerial and</li> </ul> <p>technical resources required to execute and operate the project</p>		
partner contributions focus on each partner's comparative advantage		
all partners obtain a pre-defined benefit		



The three lists from above can now be aggregated into a new single list (see below) by deleting or combining duplications and adding unique new indicators. The Jamali definition has contributed one unique indicator, and the SEED definition has contributed three unique indicators.

**Table 5-16: A combination of performance indicators**

<b>Combined definitions 1 - 5</b>
Some or all of the following role-players are involved: Stakeholders including social entrepreneurs, communities, women's groups, companies and others
A recognisable institutional form is established
Role-players pool their resources
Role-players achieve common goals
a contractual arrangement must be in place
there is evidence of a sustained collaborative effort
a public sector entity and a private sector entity must be involved
The private sector provides infrastructure or a service that the public sector previously provided the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>○ for which an output-based specification was drawn up</li> <li>○ for which a significant period of time has been specified</li> </ul>
A common vision and objective is being pursued
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration
individual interests of partners are pursued
a substantial transfer of all forms of project life cycle risks to the private sector is effected
project risk is shared between partners
partners share the design or planning for the project
the public sector must remain a significant role-player in the partnership project as either the <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>
partners contribute portions of the <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> </ul> technical resources required to execute and operate the project
partner contributions focus on each partner's comparative advantage
all partners obtain a pre-defined benefit

It is now again possible to analyse more PPP definitions to determine whether additional success factors can be derived which are not yet included in the aggregated list. This iterative process of analysis and aggregation can continue for as long as there are new PPP definitions to analyse, but for the purpose of this section only one more definition will be analysed.

#### 5.4.6 Definition 6: UNDP

The United Nations Development Programme (UNDP) defines PPPs as:

*contractual agreements between the public sector (government) and the private sector (for-profit companies). Under these agreements, the resources and risks of both are shared to meet a specific public need.*

This contractual relationship may include non-profit groups (either non-governmental organizations or special purpose ones created by government action). In all cases, however, at least one for-profit entity (thus the “private” in public-private partnership) is included. PPPs may be developed by a single government partner, or through technical cooperation between two or more countries. PPPs may also be triangular, that is, developed through technical cooperation among two or more developing countries, with financial support from northern donors or international organizations. PPPs may be employed for the delivery of social services or the construction, operation and/or maintenance of public infrastructure (such as transportation, power, water/wastewater, or public buildings). In some cases, both infrastructure and service requirements can be combined into a single partnership.

PPPs can be developed in varying forms. Some are limited to the operation and maintenance of infrastructure (commonly referred to as O&M contracts). This is particularly common with water and wastewater projects. At the other extreme end are partnerships that include design, build, finance, operation and maintenance (referred to as DBFOM contracts), where the private sector partner manages all aspects of a project under a contract that defines only the performance objectives (not the design) of the project or service. Between these two extremes are a number of variations in the role of the private sector in the development and operation of public infrastructures or services. The “concession” model is another variation, where the private sector provides an initial payment for the right to lease an infrastructure asset, operate and maintain that asset, and retain all or most of the revenues generated by that asset.

The UNDP's PPP definition will now be examined according to the process described in section 5.4 above, where assumed purpose components and performance indicators are derived from a definition.

**Table 5-17: Definition Analysis: UNDP**

Definition	Assumed purpose components identified in the definition	Assumed performance indicators derived from the purpose components
Contractual agreements between the public sector (government) and the private sector (for-profit companies). Under these agreements, the resources and risks of both are shared to meet a specific public need.	Contractual agreement	A contractual arrangement is in place
	Public and private sector involvement	Both the public and private sector is involved
	Resources and risks shared	Resource are shared
		Risks are shared
To meet a specific public need	An intention to meet a public need	

The list of performance indicators derived from the definition is compared with the aggregated list in the following table.

**Table 5-18: A combination of PPP performance indicators**

Combined definitions 1 - 5	Definition 6: UNDP definition
	An intention to meet a public need
Some or all of the following role-players are involved: Stakeholders including social entrepreneurs, communities, women’s groups, companies and others	
A recognisable institutional form is established	
Role-players pool their resources	Resource are shared
Role-players achieve common goals	
a contractual arrangement must be in place	A contractual arrangement is in place
there is evidence of a sustained collaborative effort	
a public sector entity and a private sector entity must be involved	Both the public and private sector is involved
The private sector provides infrastructure or a service that the public sector previously provided the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>○ for which an output-based specification was drawn up</li> <li>○ for which a significant period of time has been specified</li> </ul>	
A common vision and objective is being pursued	
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration	
individual interests of partners are pursued	
a substantial transfer of all forms of project life cycle risks to the private sector is effected project risk is shared between partners	Risks are shared
partners share the design or planning for the project	

Combined definitions 1 - 5	Definition 6: UNDP definition
the public sector must remain a significant role-player in the partnership project as either the <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>	
partners contribute portions of the <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> <li>○ technical resources</li> </ul> required to execute and operate the project	
partner contributions focus on each partner's comparative advantage	
all partners obtain a pre-defined benefit	

The two lists from above can now be aggregated into a new single list by deleting or combining duplications and adding unique new indicators. The UNDP definition has contributed one unique indicator that can be added to the aggregated list. The aggregated list of performance indicators from the six analysed definitions is provided below.

**Table 5-19: Aggregated PPP performance indicators**

<b>Combined definitions 1 - 6</b>
An intention to meet a public need
Some or all of the following role-players are involved: Stakeholders including social entrepreneurs, communities, women’s groups, companies and others
A recognisable institutional form is established
Role-players pool and share their resources
Role-players achieve common goals
a contractual arrangement must be in place
there is evidence of a sustained collaborative effort
a public sector entity and a private sector entity must be involved
The private sector provides infrastructure or a service that the public sector previously provided the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>○ for which an output-based specification was drawn up</li> <li>○ for which a significant period of time has been specified</li> </ul>
A common vision and objective is being pursued
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration
individual interests of partners are pursued
a substantial transfer of all forms of project life cycle risks to the private sector is effected
project risk is shared between partners
partners share the design or planning for the project
the public sector must remain a significant role-player in the partnership project as either the <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>
partners contribute portions of the <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> <li>○ technical resources</li> </ul> required to execute and operate the project
partner contributions focus on each partner’s comparative advantage
all partners obtain a pre-defined benefit

The above list now contains all the unique and common performance indicators for PPPs derived from six different PPP definitions. This is a valuable product because it can be used as a basis from which to suggest success factors for PPPs, and it can be the foundation for a new general definition of PPPs that is a synthesis of current

thinking. By building a definition from this aggregated list of performance indicators, one is in effect combining the consensus (common indicators) of the field with innovation and new thinking (unique indicators) inside the field. It is suggested that the methodology used in this section is a new contribution to the public management field which can be further developed and codified. The methodology emphasizes the importance of definitions and the care that should be taken in their construction. The aggregated list of performance indicators above suggests the following new general definition for PPPs:

*A PPP is an institutional form that is established through an outcomes-based agreement and specification, involving purposeful and sustained collaboration over a significant period of time by a combination of public and private parties with common vision and objectives to meet a public need (a public sector responsibility) by pooling, sharing and contributing portions of the financial, managerial, technical and risk management resources required according to each partner's comparative strengths while the public partner remains a significant role-player, and by sharing design, planning and stakeholder management in order to achieve the common and individual goals and interests of the partners who obtain pre-defined benefits through their involvement.*

This definition is only an early attempt at combining the aggregated performance indicators into a one-sentence description, and can be refined through further analysis and review. There would be more reason to refine the definition if additional PPP definitions are analysed and new unique performance indicators are identified. If one compares this definition with that of the SA Treasury, it does seem as if some elements are missing from the SA Treasury definition. While the SA Treasury definition may be appropriate for the procurement officer, it does not define PPPs in a way which is descriptive enough for the general public manager or the uninitiated potential private partner who is new to PPPs. It is suggested that the SA Treasury should reconsider its definition and perhaps revisit it to make it more descriptive of the true nature of PPPs. Returning to the discussion on success factors, the aggregated list of performance indicators will now be used to develop a set of performance indicators.



In the table below, performance indicators are listed in the left column with the success factors derived from each indicator listed in the right-hand column.

**Table 5-20: Deriving success factors from performance indicators**

Combined definitions 1 - 6	Derived success factor
An intention to meet a public need	A public need is met
Some or all of the following role-players are involved: Stakeholders including social entrepreneurs, communities, women's groups, companies and others	Several stakeholders involved
A recognisable institutional form is established	Recognizable institutional form created
Role-players pool and share their resources	Role-players pool and share resources
Role-players achieve common goals	Role-players achieve common goals
a contractual arrangement must be in place	Contractual arrangement in place
there is evidence of a sustained collaborative effort	Sustained collaborative effort
a public sector entity and a private sector entity must be involved	Involvement of both public and private sectors
The private sector provides infrastructure or a service that the public sector previously provided the private sector entity must perform a departmental function <ul style="list-style-type: none"> <li>○ for which an output-based specification was drawn up</li> <li>○ for which a significant period of time has been specified</li> </ul>	Private sector provides a traditionally public service against an outputs-based specification for a significant period of time
A common vision and objective is being pursued	Common vision and objective
the private sector must receive a benefit for performing the service, normally in the form of financial remuneration	Private sector receives benefit / award
individual interests of partners are pursued	Partners able to pursue individual goals
a substantial transfer of all forms of project life cycle risks to the private sector is effected	Risk transfer to private sector

Combined definitions 1 - 6	Derived success factor
project risk is shared between partners	Risk sharing
partners share the design or planning for the project	Shared project design and planning
<p>the public sector must remain a significant role-player in the partnership project as either the</p> <ul style="list-style-type: none"> <li>○ main purchaser of the services provided or</li> <li>○ main enabler of the project</li> </ul>	Public sector remains significant role-player
<p>partners contribute portions of the</p> <ul style="list-style-type: none"> <li>○ financial,</li> <li>○ managerial and</li> <li>○ technical resources</li> </ul> <p>required to execute and operate the project</p>	Partners contribute portions of resources
partner contributions focus on each partner's comparative advantage	Partners contribute according to own comparative advantage
all partners obtain a pre-defined benefit	All partners obtain pre-defined benefit

It would be possible to continue to analyse additional definitions and to derive more performance indicators and success factors from them.

#### **5.4.7 Success factors identified in this section**

The following success factors could be derived from the definitions that were analysed in this section:

- A public need is met
- Several stakeholders involved
- Recognisable institutional form created
- Role-players pool and share resources
- Role-players achieve common goals
- Contractual arrangement in place
- Sustained collaborative effort
- Involvement of both public and private sectors
- Private sector provides a traditionally public service against an outputs-based specification for a significant period of time
- Common vision and objective
- Private sector receives benefit / award
- Partners able to pursue individual goals
- Risk transfer to private sector
- Risk sharing
- Shared project design and planning
- Public sector remains significant role-player
- Partners contribute portions of resources
- Partners contribute according to own comparative advantage
- All partners obtain pre-defined benefit

It should be reiterated that these success factors are derived from various PPP role-players' definitions of what a PPP should be, and therefore reflects the expectations of PPP success of those who framed the definitions. These success factors will be combined with success factors identified in other sections of this chapter for further analysis at the end of this chapter.

This concludes the section on the purpose- and performance implications of definitions. In the next section the contribution of programme evaluation for the evaluation of the success of PPPs will be investigated.

## **5.5 PROGRAMME EVALUATION**

PPPs are, by definition, without exception there to deliver public goods or services, PPPs would normally form part of a wider public sector programme. It is therefore not unrealistic to think that the field of programme management and specifically social programme evaluation could hold valuable advice for PPP evaluation. With programme evaluation and consequently PPP service delivery evaluation, one can dig deeper into the specifics of partnership governance and programme design. Evaluators have long recognized the importance of programme theory as a basis for formulating and prioritizing evaluation questions, designing evaluation research and interpreting evaluation findings. Programme theory has been used under various names including logic model, programme model, outcome line, cause map, and action theory. In the following paragraphs various elements of programme evaluation will be explored to determine whether programme evaluation would be useful in the evaluation of PPP success.

**Programme theory** as described by Rossi, Lipsey and Freeman (2004) is “The theory about a specific programme”, rather than the theory of programmes in general. Programme theory is an aspect of a programme that can be evaluated in its own right. Such assessment is important because a programme based on weak or faulty conceptualization has little prospect of achieving the intended results (Rossi *et al.*, 2004:166). Rossi *et al.* (2004:139) indicated that there is no general consensus about how best to describe a programme’s theory, and then used their own scheme to represent a programme’s theory as indicated below.

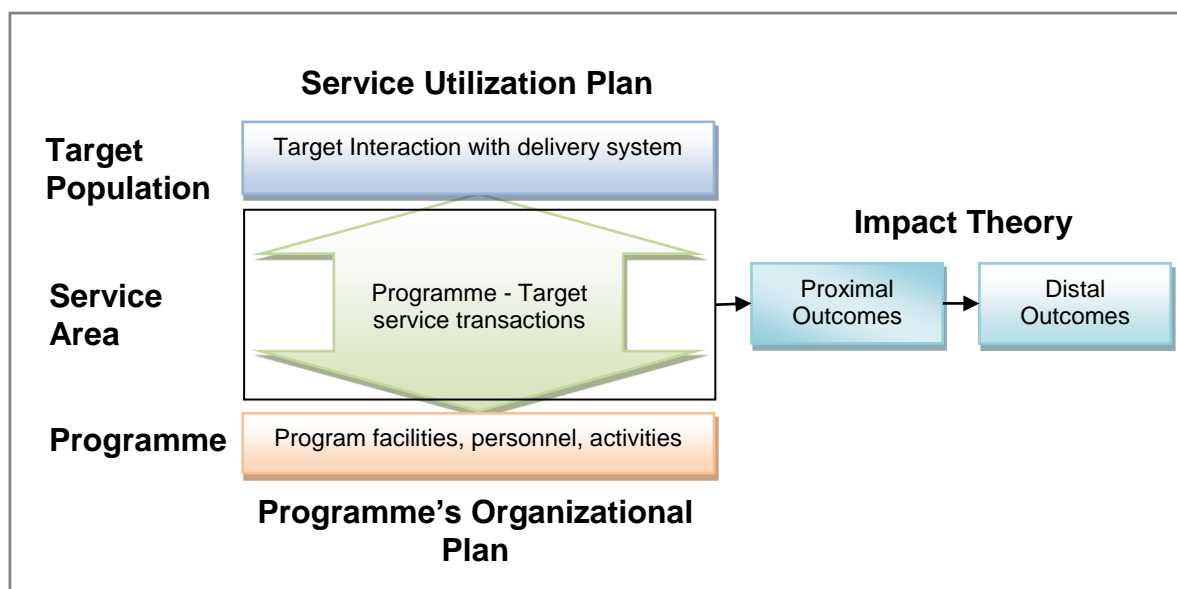


Figure 5.2: Overview of a programme theory

Rossi *et al's* scheme as illustrated in Figure 5.2 highlights three interrelated components of a programme theory: the programme impact theory, the service utilization plan, and the programme's organizational plan. They depict a social programme as centring on the transactions that take place between a programme's operations and the population it serves. These transactions might involve any of a multitude of possibilities, depending on the specific programme. Examples include counselling sessions for women with eating disorders in therapists' offices, recreational activities for high-risk youths at a community centre, educational presentations to local citizen's groups, or any such point-of-service contact. On one side of the programme-target transaction is the programme as an organizational entity, with its various facilities, personnel, resources, activities, and so forth. On the other side, are the target participants in their life spaces with their various circumstances and experiences in relation to the service delivery system of the programme (Rossi *et al.*, 2004:139–141). A programme whose conceptualization is weak or faulty has little prospect for success even if it adequately operationalizes that conceptualization. Thus, if the programme theory is not sound, there is little reason to assess other evaluation issues, such as the programme's implementation, impact or efficiency. Within the framework of evaluability assessment, findings that the programme theory is poorly defined or seriously flawed indicates that the programme simply is not evaluable (Rossi *et al.*, 2004:165). The implication for PPP evaluation is that the conceptualization of the PPP is all-important and can, if insufficiently carried

out, consign the PPP to failure. Furthermore, it is clear that evaluation must be sensitive to the life cycle stages of a PPP and what should be achieved in each stage. Another implication of what Rossi *et al* write is that it may not be possible to properly evaluate a PPP that was not properly conceptualised. This is not surprising because it is difficult to imagine how one would be able to evaluate whether a PPP has achieved its goals if no clear goals were set at its inception.

The most fully developed approaches to evaluating programme theory have been described in the context of evaluability assessment, an appraisal of whether a programme's performance can be evaluated and, if so, whether it should be. Evaluability assessment involves describing programme goals and objectives, assessing whether the programme is well enough conceptualised to be evaluable, and identifying stakeholder interest in evaluation findings. Evaluability assessment may result in efforts by programme managers to better conceptualise their programme. It may indicate that the programme is too poorly defined for evaluation or that there is little likelihood that the findings will be used. Alternatively, it could find that the programme theory is well defined and plausible, that evaluation findings will likely be used, and that a meaningful evaluation could be done (Rossi *et al.*, 2004:166). It is therefore advisable to conduct evaluability assessments on PPPs before attempting an evaluation. This has implications for the resources required to evaluate the success of a PPP. To assess programme theory, it is first necessary for the evaluator to describe the theory in a clear, explicit form acceptable to stakeholders. The aim of this effort is to describe the "programme as intended" and its rationale, not the programme as it actually is. Three key components that should be included in this description are the programme impact theory, the service utilization plan, and the programmes' organizational plan (Rossi *et al.*, 2004:166). In most cases project descriptions about PPPs dwell more on "programme as intended" than "programme as it actually is", this does not bode well for the evaluation of PPPs based on documentation emanating from the PPP itself.

The assumptions and expectations that make up a programme theory may be well formulated and explicitly stated (thus constituting an articulated programme theory), or they may be inherent in the programme but not overtly stated (thus constituting an implicit programme theory). When a programme theory is implicit, the evaluator must

extract and articulate the theory by collating and integrating information from programme documents, interviews with programme personnel and other stakeholders, and observations of programme activities. It is especially important to formulate clear, concrete statements of the programme's goals and objectives as well as an account of how the desired outcomes are expected to result from programme action. The evaluator should seek corroboration from stakeholders that the resulting description meaningfully and accurately describes the "programme as intended" (Rossi *et al.*, 2004:166). The implication is that no partnership can be evaluated without meaningful interaction with the stakeholders, and even more so those partnerships with implicit programme theories.

There are several approaches to assessing programme theory. The most important assessment the evaluator can make is based on a comparison of the intervention specified in the programme theory with the social needs the programme is expected to address. Examining critical details of the programme conceptualization in relation to the social problem indicates whether the programme represents a reasonable plan for ameliorating that problem. This analysis is facilitated when a needs assessment has been conducted to systematically diagnose the problematic social conditions (Rossi *et al.*, 2004:167). The evaluation of the objectives of a PPP against the public need it is supposed to satisfy will be valuable because it can indicate incorrect service design or the use of incorrect instruments. It has already been mentioned that a PPP could be running efficiently and looking very effective in delivering its set outputs, but could be effectively delivering a service that is not required. A complementary approach to assessing programme theory uses stakeholders and other informants to appraise the clarity, plausibility, feasibility, and appropriateness of the programme theory as formulated (Rossi *et al.*, 2004:167).

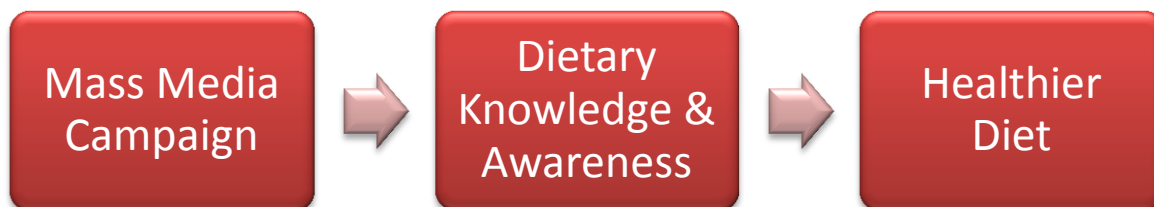
Programme theory also can be assessed in relation to the support for its critical assumptions found in research or documented practice elsewhere. Sometimes findings are available for similar programmes, or programmes based on similar theory, so that the evaluator can make an overall comparison between a programme's theory and relevant evidence. If the research and practice literature does not support overall comparisons, however, evidence bearing on specific key relationships assumed in the programme theory may still be obtainable (Rossi *et al.*,

2004:167). Evaluators can often usefully supplement other approaches to assessment with direct observations to further probe critical assumptions in the programme theory. The importance of a clear understanding of what the PPP should achieve should be noted, as it relates to the importance of goal achievement in the evaluation of PPP success. Assessment of programme theory may indicate that the programme is not evaluable because of basic flaws in its theory. Such findings are an important evaluation product in their own right and can be informative for programme stakeholders. In such cases, one appropriate response is to redesign the programme, a process in which the evaluator may provide advice. If evaluation proceeds without articulation of a credible programme theory, the results will be ambiguous. In contrast, a sound programme theory provides a basis for evaluation of how well that theory is implemented, what outcomes are produced, and how efficiently they are produced (Rossi *et al.*, 2004:167). The programme theory would have to include the why and the how of the partnership and describe a cause-and-effect relationship between programme activities and desired outcomes. If you don't know where you are going, any road will take you there. Considering earlier remarks on the promotional nature of literature on partnerships, it could be suggested that in the PPP environment, the programme theory is better communicated than the results of the programme implementation. The evaluation of the programme theory would be an effective, although resource-intensive way of evaluating a PPP and is closely related to the way in which information would be gathered for a comparative case study as outlined in an earlier section of this chapter

**Impact theory** is a causal theory describing cause-and-effect sequences in which certain programme activities are the instigating causes and certain social benefits are the effects they eventually produce. Evaluators typically represent programme impact theory in the form of a causal diagram showing the cause-and-effect linkages presumed to connect a programme's activities with the expected outcomes. Because programmes rarely exercise direct control over the social conditions they are expected to improve, they must generally work directly by changing some critical but manageable aspect of the situation, which, in turn, is expected to lead to more far-reaching improvements. The simplest programme impact theory is the basic "two-step" in which services affect some intermediate condition that, in turn, improves the social conditions of concern. For instance, a programme cannot make it impossible



for people to abuse alcohol, but it can attempt to change their attitudes and motivation toward alcohol in ways that help them avoid abuse. More complex programme theories may have more steps along the path between programme and social benefit and, perhaps, involve more than one distinct path (Rossi *et al.*, 2004:141).



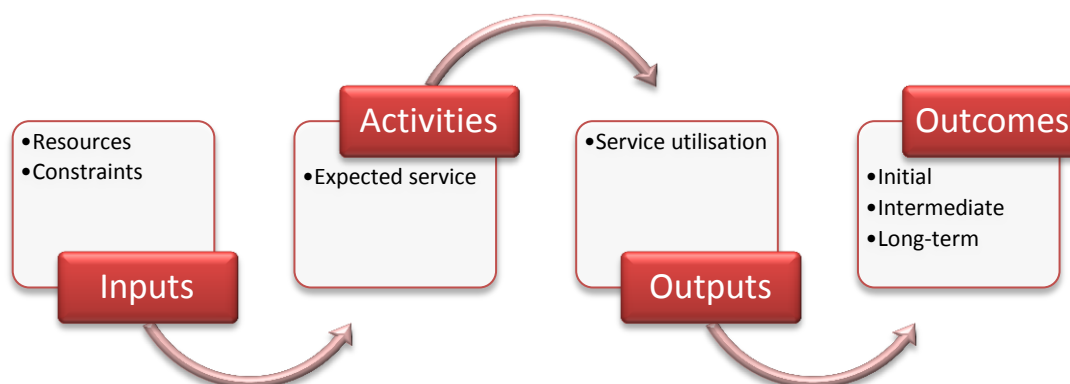
**Figure 5.3: Diagram illustrating programme impact theory**

Commentators believe that a randomized field experiment is the strongest research design for assessing programme impact. When implemented well, it yields estimates of impact that are unbiased (Rossi *et al.*, 2004). The evaluation of the impact of a PPP would be heavily dependent on the purpose of the PPP, and it can be assumed that different impact assessment methodologies may be required for different PPPs seeing the wide variety of services and products that PPPs could be involved in. In this dissertation the interest is not as much on the detail of higher or lower performance, but rather the coarser measure of success or failure – a simple judgement instead of a detailed performance measurement. Arriving at such a simple yes or no answer may not be without complication, though. For the purpose of this dissertation being highly successful or moderately successful is less important than the distinction between being successful or being a failure.

Rossi *et al* (2004:266) rightfully emphasise the need for unbiased assessment of programme impact. When a randomized design is not feasible, there are alternative research designs that an evaluator can use. They all share one problematic characteristic, however: even when well crafted and implemented, they may still yield biased estimates of programme effects. Such biases systematically exaggerate or diminish programme effects, and the direction the bias may take cannot usually be known in advance. Such biases, of course, can affect stakeholders' interests. Program participants can be disadvantaged if the bias is such that it makes an ineffective or harmful programme appear effective. Funders and policymakers

concerned about wasting resources also are not helped by that circumstance. On the other hand, a bias that makes a truly effective programme appear ineffective or harmful would unfairly belittle the accomplishments of programme personnel and could possibly cause the programme's sponsors to reduce or eliminate the funding for the programme. The clear description of desired impact from the programme theory and the need for an unbiased indication of whether the intended impact was achieved again underlines the importance of goal achievement as an indicator of PPP success. The above concern with biased assessments of impact and therefore success relates directly to the concern expressed at various places in this dissertation with the lack of unbiased information on the performance of PPPs. The need for unbiased impact assessment has implications for the evaluation of PPPs, because it is clear that impact assessments will be resource-intensive and will require considerable interaction with all categories of project stakeholders.

**Organizational plan** refers to assumptions and expectations about what the programme must do to bring about the transactions between the target population and the programme that will produce the intended changes in social conditions. The programme's organizational plan is articulated from the perspective of programme management and encompasses both the functions and activities the programme is expected to perform and the human, financial and physical resources required for that performance.



**Figure 5.4: Logic model for a programme**

A common way of representing the organizational plan of a programme is in terms of inputs (resources and constraints applicable to the programme) and activities (the

services the programme is expected to provide). In a full logic model of the programme, receipt of services (service utilization) is represented as programmes outputs, which, in turn, are related to the desired outcomes (Rossi *et al.*, 2004:146–147). The implication for this dissertation is that programme evaluation is a prerequisite for success. It is patently clear that success can only be ascertained through exhaustive evaluation. Programme evaluation seems to contain the correct research design for investigating the success of a PPP, and can be the precursor and informant for the comparative case study evaluation methodology described earlier in this chapter.

The intensive resource requirements of programme evaluation however limits the appropriateness of programme evaluation methodology for the research project described in this dissertation aimed at the identification of critical success factors for PPPs. The research design requires the consideration of a wide variety of PPPs from around the world, while the resource and time requirements of detailed programme evaluation would limit the possible field of enquiry to a small number of Cape-Town based partnerships. The implication for the research design was that in-depth case-by-case evaluation would not be possible and that other ways would need to be found to identify critical success factors. The evaluation of case studies in the next chapter would have to make do with less detailed information per case, and the validity of the gathered information would have to be strengthened through means. A major contribution made in this subsection is the confirmation that the success of a programme or project like a PPP is directly dependent on achieving the pre-determined purpose of the said intervention. Goal achievement should therefore be a primary determinant of success and can indeed, without further analysis, be considered to be a critical success factor for PPPs. Success factors identified in this subsection:

- Strong programme conceptualization;
- Clarity, plausibility, feasibility, and appropriateness of programme theory which shows cause-effect relationships leading to required outcome;
- Programme impact is aligned to outputs specified in programme theory;
- Effective, unbiased programme evaluation;
- Goal achievement.

This subsection has been spent looking at the possibility of using programme evaluation for the assessment of the success of PPPs. The methodology is eminently suitable for detailed case-by-case assessments but may not be suitable for a study involving a large number of PPPs as is the case for this dissertation. In the next sub-section a methodology used to measure the performance of business improvement districts will be investigated in search of additional success factors for PPPs.

## **5.6 MEASURING BUSINESS IMPROVEMENT DISTRICT PERFORMANCE**

It has been stated that one should be able to use performance measures as diagnostic and prescriptive tools (Caruso & Weber, 2008:320). This opinion is supported by the way in which the relationship between key performance areas, key performance indicators and success factors have been exploited in previous sections to synthesise success factors from what is essentially performance management data. In an in-depth analysis of the City of Chicago's SSA (Special Service Areas – the term used in Illinois to refer to business improvement districts) programme by Caruso and Weber (2008) it was found that few BIDs (Business Improvement Districts) systematically collect information on their organization's performance, and those that do, do not collect the appropriate data. The lack of appropriate data prevents local property owners from making informed decisions about renewing their BIDs and prevents municipalities from making policy choices about whether to allow public funds to be used for these purposes. As local governments become more stretched fiscally and turn to public-private initiatives for neighbourhood revitalization, they need information to help them craft the best solution and not just solutions that fit the circumstances (Caruso & Weber, 2008:320).

The simultaneous movement towards smaller governance structures and scarcity of fiscal resources has moved the discussion of performance measures to the forefront of municipal policymaking. Performance measurements is one of the few mechanisms available to ensure that these semi-autonomous enclaves create actual public benefits, benefits that are distributed across a wider public than a few merchants and are generally accessible. Performance measures can be seen as a

way of reining in the power of these quasi-private structures while also permitting a continued reliance on this more privatized provision of public goods (Caruso & Weber, 2008:325). A BID's performance is important to multiple categories of customers or stakeholders: its individual membership of property owners and tenants, its municipality, and the wider citizenry who live, work, or shop in the area (Caruso & Weber, 2008:325–326).

The problem with performance measures is that different stakeholders may have very different ideas of what would constitute good performance. Each stakeholder may consider a different measure of performance to be the one that most closely captures what they feel to be the BID's primary obligation – each stakeholder may prioritize a different aspect of the organization's mission. A local government may be more concerned with a BID's ability to increase demand for commercial space and therefore may look to property values to evaluate performance, while a merchant may be more concerned that her street is accessible and well lit. Mission statements do not bring more clarity because they tend to be generic so that they can accommodate these various objectives and almost always focus on economic and community vitality or revitalization within the BID – often (according to Caruso and Weber [2008:326]) without ever defining these goals. Identifying the specific missions of BIDs is a first step in avoiding confusion and conflict about performance indicators. A BID that does not seek to enhance security should not be evaluated according to its ability to decrease the number of reported property crimes. This mission statement forms the starting point for identifying specific outcomes to be measured, and therefore the performance indicators needed (Caruso & Weber, 2008:327). It is therefore evident that context affects performance criteria (Caruso and Weber, 2008:327), an opinion which is supported by the focus on programme theory and the description of desired impact in the previous subsection.

Caruso and Weber organises performance outputs, outcomes, and indicators according to the six principal objectives of BIDs, which together comprise the intangible and often undefined outcome of area revitalization. According to them, previous studies of the subject had either confused outputs (programmes introduced) with outcomes (effects of the programmes) or confused outcomes (customer satisfaction) with means of measuring indicators (surveys, renewal proposals)

(Caruso & Weber, 2008:327). The six principal objectives, according to Caruso and Weber, of BIDs are:

- Real estate development;
- Business development;
- Convenience;
- Distinctive identity;
- Attractiveness;
- Safety.

The objectives stated above can be considered as performance areas. Two of the performance areas with related outputs and possible outcomes and indicators are listed in the following table to illustrate the difference between outputs and outcomes.

**Table 5-21: Business improvement district objectives, outputs, outcomes and performance indicators**

Objective	Outputs	Potential positive outcomes	Indicators	Potential negative outcomes
Business Development	<p>Participation in technical assistance programmes (e.g. security, merchandizing, succession planning)</p> <p>Customer participation in district promotions (e.g. holiday shopping rebate programmes)</p> <p>Participation in façade rebate programme</p>	<p>Local business success, retention, and expansion</p> <p>Commercial mix consistent with district goals</p>	<p>Increase in taxable commercial sales</p> <p>Increase or stability in number of local business establishments</p> <p>Increase in number of jobs</p> <p>Increase in lease terms</p>	<p>Increased automobile congestion, trash, and noise</p> <p>Poaching of businesses from other areas</p>
Convenience	<p>Addition of traffic-calming devices, such as pedestrian crosswalks, and reduction of hazards</p>	<p>Accessibility</p>	<p>Decrease in pedestrian accidents</p> <p>Increase in pedestrian counts</p> <p>Increase in parking facility and metered space occupancy rates</p>	<p>Increase in reported crime and loitering</p> <p>Increase in noise, traffic, and pollution</p>

Caruso and Weber (2008:340) show how performance is measured on a form used by the city of Chicago to conduct an internal review of the BIDs (Special Service Areas - SSAs) in the city.

*When listing potential measures, it confuses inputs and outputs with performance indicators. For example, it considers the number of street planters to be a performance outcome, even if the planters themselves are not attractive or are not maintained and potentially detract from the attractiveness of the area. SSAs are allowed to list special events, festivals, and parades as performance measures, yet are not required to estimate if these events attracted customers to district stores. Furthermore, the performance measure responses are not required to relate to the scope of services the organization has proposed to deliver in a given year. (Caruso & Weber, 2008:340)*

These revelations relate strongly to arguments elsewhere in this dissertation where it is argued that a partnership should not be deemed to be successful if it is not delivering the right service. Efficiency is no success measure either, because an unneeded service can be provided very efficiently even if there is no use of the service (see discussion in previous subsection). Unfortunately for the true possible value of partnering, interviews revealed that SSA managers assumed that commissioners were more interested in programme outputs than outcomes (Caruso & Weber, 2008:340). This assumption is not unrealistic against the background that especially elected political leaders will often prefer that money is spent towards something visible and tangible (which works well for a photo opportunity) as opposed to something without immediate visible impact, such as a partnership programme.

Cases in Chicago revealed that the dissolution of BIDs did not appear to have any relation to their ability to meet performance outcomes but rather to internal politics about budgeting and representation. In other words, the performance of a BID is not always positively correlated with the decision to renew its overlay status. Caruso and Weber argue that this supports their contention that renewals are not performance indicators in and of themselves, nor can they be considered accurate proxies of such. "The longevity of this governance structure and its adherence to its organizational



mission are two distinct issues that should not be conflated” (Caruso & Weber, 2008:343). Thus, as already mentioned before, survival and even longevity is no real indicator of the success of a partnership structure. A highly successful partnership could be killed off due to political decisions, a weak partnership could be kept alive through the same method, and a project which was not intended to be a long-term sustainable project could be driven on regardless due to political convenience.

Caruso and Weber (2008: 343-346) advocates the use of annual work plans for BID performance evaluation, emphasises the need for flexibility to respond to environmental changes and then forwards suggestions regarding the determination of appropriate performance indicators. These can be summarised as follows:

- Mission matters the most;
- Meaningful performance measures are those that match the stated objectives of the individual BID;
- The predominant land use within its BID boundaries will affect its mission and scope;
- Data for performance measures should be feasible to collect, especially for organizations with small budgets and staff. The most valuable information is normally expensive to collect. Governments should make this less gruelling by providing as much of the raw data as possible and offering assistance in collecting data.

From the short discussion in this subsection it is clear that performance management can contribute towards PPP success. Six performance areas for BIDs were identified which could also be applied to PPPs. The potential negative impact of political interference and decisions has been pointed out, and the importance of measuring outcomes rather than outputs was underlined. Based on the discussion above, the following success factors can be advanced:

- Outcomes-based performance measurement and management;
- Protection against political interference;
- Measure performance against mission / objectives;
- Consider context in establishing mission and objectives;

- Appropriate performance indicators for which data is available and collection is feasible.

This concludes the discussion on BID evaluation and how it can contribute to evaluating PPP success. In the next subsection an alternating focus evaluation methodology will be discussed.

## **5.7 ALTERNATING FOCUS PARTNERSHIP EVALUATION**

The types of evaluation discussed so far in this section require quite detailed case-by-case information collection and extensive stakeholder consultation. None of these evaluation methods are useful for investigating the success of a large collection of disparate PPPs, as is being attempted in this dissertation. It would be useful to also look at evaluation methods using less exhaustive case-specific data and less time for stakeholder consultation. One such methodology is described by Plummer (2002:108) and relates to a three-angled line of enquiry which was used to “learn” from a specific collection of tri-sector (public, private, third sector) partnerships under the ambit of the water and sanitation cluster secretariat of Business Partners for Development (BPD). The methodology consists of three workshop-based iterative and complementary approaches that conduct analyses with alternating focus on sector-by-sector, theme-based and local analysis.

### **5.7.1 Sector-by-sector analysis**

Each sector is brought together to conduct its own SWOT (strengths, weaknesses, opportunities and threats) analysis of working in partnership with the other two sectors. Actors from the different sectors approach the partnerships in different ways. They have different expectations, fears, capacities, skills and strengths. As the theory suggests, these combine with their other sector counterparts to enhance the projects. Though initial findings are fairly straightforward to an outside observer versed in these types of relationships, the most critical factor is overcoming the stereotypes of different sector counterparts. It is critical to make concrete assessments of the contributions that individual sectors make, and to build up their confidence in making these contributions (Plummer, 2002:108). Sector perspectives on the reasons for partnering were discussed in Chapter 3 and sector-specific

perspectives on partnership success are mentioned here. Sector perspectives could be collected through various means including workshops and focus groups.

### **5.7.2 Theme-based review**

This approach attempts to address the impact of the tri-sector relationship on specific project components or project themes, such as partnerships and cost recovery in poor areas, partnerships and alternative approaches to service provision, partnerships and land tenure, partnerships and regulatory frameworks and partnerships and education / awareness campaigns (Plummer, 2002:108). Themes that are dealt with in this dissertation include leadership, mutual benefit, governance structures, enabling legislation and environmental impact, to mention a few. The selection of themes on which to base learning could be somewhat arbitrary.

### **5.7.3 Local-level analysis**

This project-by-project or partnership-by-partnership analysis can result in the drafting of internal partnership analysis reports that document the successes, impacts, challenges and wider contexts of each individual project. The challenge with this approach is that partnerships are actually living organisms that change on a daily basis. Structures put in place and definitions of roles, responsibilities and budgets are all influential in (and also significantly different among) projects. Equally, external events, changes in staff, findings in the communities and other externalities have an impact on the way the partners work together (Plummer, 2002:108). Despite the many differences between specific partnerships, it should still be possible to extract some lessons from this process. The type of learning and evaluation methodology described by Plummer is possibly most appropriate for capacity building and staff development. While it may require fewer resources for information collection on individual partnerships and reduces time required for stakeholder consultation by pulling stakeholders together in workshops, the workshop methodology could reduce the ability to gather and interrogate individual opinions and limits the geographic scope of partnerships that can be evaluated. The geographic spread and number of stakeholder representatives that can be involved will be dependent on the availability of funds and the individual calendars and

goodwill of each stakeholder. The methodology still requires case-by-case analysis and preferably physical visits.

There is merit in conducting theme-based investigations across several partnerships through a series of gatherings, but once again this would require considerable resources. Although an alternating focus evaluation can be valuable for stakeholders involved in partnerships it would not suit the research design for this dissertation which requires the analysis of a wide variety of partnerships. Based on the discussion in this subsection the following PPP success factors could be identified:

- Overcoming the stereotypes of different sector counterparts.
- Make concrete assessments of the contributions that individual sectors make, and building their confidence in making these contributions.

## **5.8 SERVICE DELIVERY EVALUATION**

The evaluation of PPPs is the focus of this chapter. PPPs are without exception vehicles for the delivery of a public product or service, and the evaluation of PPPs should thus necessarily include an evaluation of the service or product that is being delivered through the PPP, and how this product is perceived by the customer. The focus in this section of the chapter is not the partnership itself, but rather its outputs and the relationship between the PPP and its customers.

### **5.8.1 Identifying service delivery gaps**

The gaps model of service quality focuses on the difference, or gap, between customer perceptions and expectations. Customer perceptions are subjective assessments of actual service experiences. Both customer expectations (expected service) and customer perceptions (perceived service) play a major role in service marketing (Zeithaml & Bitner, 1996). Customer expectations are the standards of or reference points for performance against which service experiences are compared, and are often formulated in terms of what a customer believes should or will happen (Zeithaml & Bitner, 1996:37). The sources of customer expectations consists of producer controlled factors (such as pricing, advertising, sales promises) as well as factors that the producer has limited ability to affect (innate personal needs, word-of-mouth communications, competitive offerings). In a perfect world, expectations and

perceptions would be identical: customers would perceive that they receive what they thought they would and should. In practice, these concepts are often far removed from each other (Zeithaml & Bitner, 1996:38). The process of closing the customer gap can be subdivided into four "company gaps," discrepancies within the organization delivering the service that inhibit delivery of quality service. These four company or provider gaps are discussed below.

#### *5.8.1.1 Gap 1: Not knowing what customers expect*

*Producer perception / customer expectation gap:* This exists where management does not understand or have failed to identify which aspects of service or quality are important to the customers. Reasons for this gap include no direct interaction with customers and inadequate marketing research orientation. Unwillingness to ask about expectations and unpreparedness in addressing them can also cause the gap. In the same manner, a lack of upward communication and an insufficient relationship focus will cause a lack of knowledge of customer expectations (Zeithaml & Bitner, 1996:39). Customers hold different types of service expectations. Desired service reflects what customers want, adequate service reflect what customers are willing to accept and predicted services reflect what customers believe they are likely to get. Customers have global expectations of their relationships with service providers and also expectations of individual service encounters. Customer expectations are influenced by a variety of factors, some controllable and other uncontrollable by service marketers. The types and sources of expectations are the same for end consumers (in the case of PPPs, the public) and business customers (in the case of PPPs, the public sector partner), for pure service and product-related service, and for experienced customers and inexperienced customers (Zeithaml & Bitner, 1996:99).

#### *5.8.1.2 Not selecting the right service design standards*

*Producer perception / service specification gap:* This gap exists when management knows what the customer wants but then allows the service specification laid down to fall short. It is the difference between company understanding of customer expectations and the development of customer-driven service designs and standards. It can be brought about by a lack of customer-driven service standards,

inadequate service leadership, and poor service design (product development) (Zeithaml & Bitner, 1996:41).

#### *5.8.1.3 Not delivering to service standards*

*Service specification / service delivery gap, the discrepancy between development of customer-driven service standards and actual service performance by company employees:* This occurs when front-line staff does not provide the service as laid down by management. It is here that strategic measurement systems come into play. Historically the domain of finance and accounting, management strategists now call for the addition of key marketing indicators in the overall measurement programme. If customer satisfaction is to become a focus of strategy, companies must incorporate into their measurement systems important barometers of customer and perceived service quality satisfaction (Zeithaml & Bitner, 1996:42). This gap originates in deficiencies in human resource policies, failure to match supply and demand, and in customers not fulfilling their co-producer roles (Zeithaml & Bitner, 1996:44–45).

#### *5.8.1.4 Not matching performance to promises*

*Service delivery / communications gap:* This occurs when for example advertising promises more than staff can hope to deliver. It is the difference between service delivery and the external communications of the service provider (Titman, 1995:55; Zeithaml & Bitner, 1996:38). This gap is caused by ineffective management of customer expectations, over-promising, and inadequate horizontal communications (Zeithaml & Bitner, 1996:45–47).

#### *5.8.1.5 Putting it all together: Closing the gaps*

Zeithaml and Bitner's conceptual model of the four service gaps conveys a clear message to managers wishing to evaluate and improve the quality of their service: The key to closing the customer gap is to close the four gaps explained above and to keep them closed. To the extent that one or more of the gaps exist, customers perceive service quality shortfalls. This model, called the gaps model, serves as a framework for service organizations attempting to improve service quality and

services marketing, a framework for understanding and improving service delivery (Zeithaml & Bitner, 1996:48–50). The closing of the service gaps as discussed here could be equated with increasing productivity. This can be a mistaken assumption. Although there is a general belief that improved productivity should contribute to improving service delivery, if one feels that service delivery constitutes primarily quality of service to customers, productivity might be excluded (Titman, 1995:22). Titman (1995:22) argues that productivity is a dichotomy - increase it too much or too obviously and customers may perceive it as being a reduction in the level of service provided. This is because ways of increasing productivity include options that could involve reducing high service-quality standards, or persuading customers to carry out some of the work themselves. Some of the techniques for improving productivity might decrease service quality, which should be one element of improved service delivery. It follows that effectiveness, efficiency and productivity do not automatically translate into improved service delivery.

### **5.8.2 Determining service needs**

The gaps model of service quality described in the previous subsection seemingly ignores the difference between customers' perceptions of their needs, and actual needs. And it is actual needs, not perceived ones, which public managers aim to satisfy. It is however true that in order to determine needs, the most generally used method would be to ask the customer. The measurement of service delivery should therefore allow for the differences between perceptions and reality. Tools used in marketing research can be used to identify differences between reality and perception, and can help to bring perceptions closer to reality (Zeithaml & Bitner, 1996:37). This section has described service delivery evaluation, service delivery gaps and how a provider can go about closing such gaps. PPPs are by definition involved in the delivery of some or other public service and it will be foolhardy to ignore the possible influence of customer dissatisfaction, whether that dissatisfaction is based on fact or misperception. Minnie (2000) has written extensively on the use of various marketing tools and techniques to determine and improve on public service delivery, and the partners in a PPP would be well-advised to consider using these tools to evaluate their service delivery and customer perceptions thereof. It should be noted that the type of research mentioned is not radically different from the

evaluation tools already mentioned in this chapter. Programme evaluation is in fact closely related to marketing research.

This evaluation methodology is appropriate and useful for the evaluation of PPP success, and provides a useful reminder that the real success of a PPP would lie in acceptable levels of service delivery. The methodology will be as resource-intensive as programme evaluation and is therefore not appropriate for the research into critical success factors for PPPs as conducted in the research project. Success factors identified in this section:

- Focus on appropriate product development and service delivery;
- Know what customers expect
- Select correct service design standards
- Deliver to service standards
- Match performance to promises

This concludes the discussion on service delivery evaluation. In the next section the defining of an appropriate success measure for PPPs will receive attention.

## **5.9 DEFINING AN APPROPRIATE SUCCESS MEASURE**

In this section the measurement of success will be discussed with a view to defining an appropriate success measure. It may be naïve to talk about success or failure as if it is such a straightforward and self-apparent quality of a partnership. It may very well be that the success or failure of a PPP is not a clearly defined concept and that there is no clear, universally applicable success measure. For example, is it a failure when a PPP that becomes unsustainable is responsibly terminated to limit expenditure on ineffective service delivery, and is it a success if further money and effort is committed to artificially prolong the life of the same partnership?. These points make a clear case that success is not only measured through survival of the partnership, and that the evaluation of partnerships may contain some grey areas where evaluation needs to be the subject of creative thinking. It should be noted that the life cycle stage of a PPP will determine how it can be evaluated. It would not serve any purpose to evaluate a PPP in its conception phase in the same way that one would evaluate another PPP that is well-advanced in the implementation



process. The way to evaluate a PPP with sensitivity to its life cycle stage is to look specifically at what is expected of the PPP at the stage of its life cycle that it finds itself in. The achievement of objectives or goals that apply to a specific life cycle stage should be measured. Planned versus actual performance or progress should be evaluated per life cycle stage. An interesting nuance in the life-stage specific measurement of performance is that a decision to terminate a PPP process cannot necessarily be seen as a failure if the goal in that life cycle stage was to make a “go” or “no go” decision based on a comprehensive viability assessment. In the conception stage of a PPP, progress to the establishment or implementation phase of the PPP is but one of many possible indicators that the specific life cycle stage was successful. A decision not to proceed can also indicate success in the conception stage of a PPP life cycle.

Together with planned versus real progress, other evaluation criteria for a PPP could include efficiency and financial indicators such as keeping within budget or unlocking savings. One clear, central and non-negotiable success indicator for a PPP is the creation of public value which satisfies a public need. Similarly important is the achievement of goals and delivering service to specification. The evolution of a partnership is also an indicator of success and the continued existence of the PPP, as envisaged, shows success. Commercial viability of a service may be regarded as a success indicator, but in fact, commercial viability does not relate well to public services and should therefore not be considered as an indicator of success. Government and public administration is not profit-motivated and PPPs should therefore also not be motivated by profit but rather by the affordable delivery of public services. Yet another success measuring option is to consider whether there is political will and support behind the partnership. It may be problematic to reliably measure political will, though. Possible categories of evaluation, or performance areas, to measure success of partnerships could include Policy, Planning, Financing, Leadership, and Monitoring and Evaluation. One could look at previous research to get guidance on a success measure, but according to Cooper (1993:244-245) there are significant problems in interpreting prior research on partnerships because there is such a great variation in samples and such a wide variety of performance measures which could include:

- Survival vs. discontinuance;

- Growth measures – sales, employee growth;
- Absolute size (not growth rate);
- Subjective assessment of performance;
- Indices of performance (Cooper, 1993:244–245).

Furthermore, according to writers commenting on enterprise survival, factors outside the control of the entrepreneur, such as the carrying capacity of an industry, may affect the number of existing firms (in this case partnerships) that are able to survive (Aldrich, 1990, cited in Cooper, 1993). Defining a success measure that would be able to adjust to such externalities is a challenge. The framing of a success measure has been an ongoing theme throughout the previous chapters and began in earnest in Chapter 1 with the creation of an eight-point checklist to pre-qualify a PPP for further success evaluation. Critical success factors have been collected from Chapter 2 onwards, and each success factor provides insight into how the success of a partnership could be measured.

The development of a framework for evaluation began at the end of Chapter 2, was taken further in Chapter 3, and received constant attention throughout this chapter. Early in this chapter the comparative analysis of case studies was described and an evaluation results table was described as an evaluation instrument for partnerships. This table can contribute to the development of a success measure and will be applied in the next section. A three-dimensional success evaluation instrument was described and it was noted that while detailed information gathering preceded the characterisation of the case studies, success was determined solely through a qualitative interview process. The dimensions used in the instrument were: Executive and organisational; Operational and marketing and Contractual and building. After the case study evaluation project was described, a characterization and evaluation framework for PPPs was developed in a discussion on how characterization can be used in evaluation. This characterization framework can also contribute to the development of the success measurement instrument and will be applied to the next section. This completes the discussion of defining an appropriate success measure for PPPs. In the next section an instrument for partnership success measurement will be proposed.

## **5.10 MEASURING PARTNERSHIP SUCCESS: AN INSTRUMENT**

Partnership success measuring instruments have been developed progressively from Chapter 2. In this section all the performance measurement instruments that have been determined in this and previous chapters will be combined into a single comprehensive partnership evaluation instrument for PPPs. The instrument has been developed by combining elements of the instrument used for case study evaluation by Nijkamp *et al* (2002), and the characterization framework developed in the section on the description of evaluation through characterization. The intention is that the instrument could be used at differing levels of investigation. At a basic level, the instrument could be used to capture the basic information about a partnership without stakeholder involvement. At a second more detailed level, the instrument can be used in an interview setting to complete details regarding a partnership based on the knowledge of an informant, normally a stakeholder in the partnership. At the third, most detailed level, the instrument will need to be supported with various additional information collection instruments that will, once completed, feed the instrument with scorings for individual areas of the instrument. The instrument will also provisionally consist of 3 separate sections. The first section will contain a pre-qualification checklist where it will be confirmed that the entity under evaluation is indeed a PPP. The second section will focus more on the description of the PPP without assigning any performance measures. It may be difficult to separate description or characterization from evaluation due to the close relationship between the two concepts, but in general all free-text descriptive fields will be kept in the second section. The third section will contain the performance evaluation fields of the instrument. Mostly with either binary “yes/no” fields or with simple ranges of 3 to 5 choices on a scale.

### **5.10.1 Pre-qualification**

This first section of the evaluation tool is used to pre-qualify the entity that is being evaluated as a PPP. If one wants to evaluate a PPP it is important that the entity is indeed a PPP, therefore it would be a good starting point to use the checklist indicated in the following table to pre-qualify the entity as a PPP.

**Table 5-22: Checklist to classify a partnership as a PPP: The Roman Circus**

Requirements for partnership classification as PPP:		Complies: Yes / No
1	A contractual arrangement is in place	Yes / No
2	...between a public sector entity and a private sector entity...	Yes / No
3	...whereby the private sector performs a departmental function....	Yes / No
4	...in accordance with an output-based specification....	Yes / No
5	...for a specified, significant period of time...	Yes / No
6	...in return for a benefit, this is normally in the form of financial remuneration.	Yes / No
7	There is a substantial transfer of all forms of project life cycle risk to the private sector.	Yes / No
8	The public sector retains a significant role in the partnership project either as the main purchaser of the services provided, or as the main enabler of the project.	Yes / No

### 5.10.2 Characterization

In this second section of the evaluation tool, the descriptive and more static information regarding the PPP is required.

**Table 5-23: Characterization**

	PPP Characterization Criteria Evaluation category / Performance area	How characterization can be <b>presented</b> Evaluation variable / Performance indicator	Possible scores
	Partnership name:		<i>Unique descriptions will be required for each PPP.</i>
	Partnership goal / purpose:		<i>Unique descriptions will be required for each PPP.</i>
	Primary intended outcome of partnership:		<i>Unique descriptions will be required for each PPP.</i>
	Project dates / duration:		<i>dd-month-yycc</i>
	Public sector partners:		<i>Unique descriptions will be required for each PPP.</i>
	Private sector partners:		<i>Unique descriptions will be required for each PPP.</i>
	Third sector partners:		<i>Unique descriptions will be required for each PPP.</i>
	Setting		<i>Unique descriptions will be required for each PPP.</i>
	Structural relationships and positions		<i>Unique descriptions will be required for each PPP.</i>
	Representation rules		<i>Unique descriptions will be required for each PPP.</i>
	Authority	<ul style="list-style-type: none"> <li><i>limits of representatives' mandate</i></li> <li><i>limits to internal authority</i></li> <li><i>source or basis of authority for the partnership itself.</i></li> </ul>	<i>Unique descriptions will be required for each PPP.</i>
	Form of partnership		<i>1: Informal, 2: Concession, 3: Joint venture,</i>

PPP Characterization Criteria Evaluation category / Performance area	<i>How characterization can be presented</i> Evaluation variable / Performance indicator	Possible scores
Spatial scope		1: Local 2: Regional 3: National 4: International
Financing and risk	Financiers and risk-bearers	1: Mainly public 2: Mainly private 3: Joint public-private activity
Life cycle stage:		1: Pre-project; 2: Concept; 3: Design; 4: Implementation; 5: Handover; 6: Operation; 7: Disposal.
Economic sector:		1: Primary 2: Secondary 3: Tertiary
Societal sector:	<i>If it is a PPP it should involve the public sector and the private sector, but could also include the third sector.</i>	1: Public 2: Private 3: Third
Contractual arrangements	Transparency of profit(ability) requirements	1: Yes 2: No
	Nature of contract	1 Global 2 Detailed

### 5.10.3 Performance

This third section of the evaluation tool comprises a PPP performance questionnaire that collects the dynamic performance information regarding the PPP.

**Table 5-24: PPP Performance evaluation**

PPP Characterization Criteria Evaluation category / Performance area	<i>How characterization can be presented</i> Evaluation variable / Performance indicator	Possible scores
Revenues and costs	Financial transparency	1 Good 2 Fair 3 Poor
Partner selection	Selection procedure of partners	1: Open selection 2: Target group approach 3: Combination
Information and knowledge management		1: Frequency of meetings
Decision making		1: Joint / Central
Level of integration and coordination		1: Low 2: High
Interdependence		1: Low 2: High

<b>PPP Characterization Criteria</b> Evaluation category / Performance area	<b>How characterization can be presented</b> Evaluation variable / Performance indicator	Possible scores
Formalization		1: Low 2: High
Public Leadership	<i>This criterion can be presented in a checklist with space for additional unique comments.</i>	1: Low 2: High
Institutional readiness	<i>Partner readiness for partnership</i>	1: Low 2: High
	<i>Citizen and community interest and involvement</i>	1: Low 2: High
	<i>Presence of potential partners</i>	1: Low 2: High
	<i>Previous partnership experience</i>	1: Low 2: High
	<i>Intra-partnership awareness of other partners' missions, goals and objectives</i>	1: Low 2: High
Overlap and duplication	<i>This criterion could be presented on a continuum from low to high.</i>	1: Low 2: High
Policy consistency	<i>Policy consistency and can be presented on a continuum from low to high.</i>	1: Low 2: High
Partnership governance- and delivery gaps	<i>This criterion can be presented on a continuum from low to high with space for further elaboration of unique information if required.</i>	1: Low 2: High
Purposeful collaboration	<i>A qualitative score on a range from low to high can be assigned for each PPP.</i>	1: Low 2: High
<b>Readiness</b>	Preparation of service delivery infrastructure / systems, including construction / required investments to enable operation	5: Absolutely, always true; 4: Generally true; 3: Sometimes true; 2: Rarely true; 1: Never/Not true
<b>Operation / service delivery</b>	Customer satisfaction / Right service, right time, right place, right cost / Sustainability / Profitability	5: Absolutely, always true; 4: Generally true; 3: Sometimes true; 2: Rarely true; 1: Never/Not true
<b>Completion of lifespan</b>	Defined objectives met	5: Absolutely, always true; 4: Generally true; 3: Sometimes true; 2: Rarely true; 1: Never/Not true
Contract in place	<i>Formal contract respected by all parties / Informal agreement respected by all parties</i>	5: Absolutely, always true; 4: Generally true; 3: Sometimes true; 2: Rarely true; 1: Never/Not true
Collaboration		1: Intimate 2: Distant
Commitment		1: Low 2: High
Triple bottom line	Economic / Financial Environmental Social	1: Sustainable 2: Unsustainable

	<b>PPP Characterization Criteria</b> Evaluation category / Performance area	<b>How characterization can be presented</b> Evaluation variable / Performance indicator	Possible scores
	Level of symbiosis(determines mutual benefit)		5: <i>Parasitic</i> 3: <i>Commensal</i> 1: <i>Mutualistic</i>
	Inter-partner relationship		5: <i>Adversarial</i> 3: <i>Neutral</i> 1: <i>Collaborative</i>
	<b>Generic Success Factors</b>	<i>An initial judgement of success can be established if all factors below are scored as 4 or 5.</i>	5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Goal of partnership has been established		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Desired outcomes have been established		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Partnership more effective than separate efforts can be		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Mutual benefit has been established		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Managing structure has been agreed upon or is self-evident		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Partnership will be of general benefit to society		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Sufficient will and goodwill exists for goals to be reached		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	Partners have sufficient capacity to produce desired outcomes		5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>
	<b>Case-specific Factors</b>	<i>At a specific phase in the life-cycle of the partnership, a judgement of success can be established if the factors for that phase are scored as 4 or 5.</i>	5: <i>Absolutely, always true;</i> 4: <i>Generally true;</i> 3: <i>Sometimes true;</i> 2: <i>Rarely true;</i> 1: <i>Never/Not true</i>

	<b>PPP Characterization Criteria</b> Evaluation category / Performance area	<b>How characterization can be presented</b> Evaluation variable / Performance indicator	Possible scores
	All partners still focus on reaching goal		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	Planning and establishment outcomes have been reached		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	Maintenance outcomes have been reached		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	Partnership can be safely terminated		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	Sufficient will and goodwill exists for goals to be reached		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	Partners have sufficient capacity to produce desired outcomes		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	Partners are gaining sufficient rewards		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	Intended beneficiaries are receiving sufficient benefits		5: <i>Absolutely, always true</i> ; 4: <i>Generally true</i> ; 3: <i>Sometimes true</i> ; 2: <i>Rarely true</i> ; 1: <i>Never/Not true</i>
	<b>Summary</b>		
	Successes of partnership:		<i>Free text</i>
	Failures of partnership:		<i>Free text</i>

The instrument is still in an early version and may be influenced by what is discovered in the next two chapters.



### 5.11 **SUCCESS FACTORS IDENTIFIED IN THIS CHAPTER**

In this section the pattern started at the end of Chapter 3 is continued. All those critical success factors identified in this chapter are listed here without any editing.

The success factors for PPPs identified in this chapter are:

1)	Defined purpose;
2)	Defined structural relationships;
3)	Clear mandates and authority;
4)	Efficient knowledge and information management;
5)	Defined and efficient decision-making;
6)	Appropriate levels of integration and coordination;
7)	Appropriate levels of interdependence;
8)	Appropriate levels of formality;
9)	Use of appropriate management instruments;
10)	Public leadership;
11)	Partner readiness for partnership;
12)	Citizen and community interest and involvement;
13)	Available potential partners;
14)	Previous partnership experience;
15)	Intra-partnership awareness of other partners' missions, goals and objectives;
16)	Low overlap and duplication;
17)	Policy consistency;
18)	A public need is met;
19)	Several stakeholders involved;
20)	Recognisable institutional form created;
21)	Role-players pool and share resources;
22)	Role-players achieve common goals;
23)	Contractual arrangement in place;
24)	Sustained collaborative effort;
25)	Involvement of both public and private sectors;
26)	Private sector provides a traditionally public service against an outputs-based specification for a significant period of time;
27)	Common vision and objective;

28)	Private sector receives benefit / award;
29)	Partners able to pursue individual goals;
30)	Risk transfer to private sector;
31)	Risk sharing;
32)	Shared project design and planning;
33)	Public sector remains significant role-player;
34)	Partners contribute portions of resources;
35)	Partners contribute according to own comparative advantage;
36)	All partners obtain pre-defined benefit;
37)	Strong programme conceptualization;
38)	Clarity, plausibility, feasibility, and appropriateness of programme theory which shows cause-effect relationships leading to required outcome;
39)	Programme impact is aligned to outputs specified in programme theory;
40)	Effective, unbiased programme evaluation;
41)	Goal achievement;
42)	Outcomes-based performance measurement and management;
43)	Protection against political interference;
44)	Measure performance against mission / objectives;
45)	Consider context in establishing mission and objectives;
46)	Appropriate performance indicators for which data is available and collection is feasible;
47)	Limited governance and delivery gaps;
48)	Purposeful collaboration;
49)	Achievement by the partnership of desired goals or outcomes;;
50)	Clearly identified pre-determined goals or outcomes for the partnership;
51)	Goals are actively pursued and performance of the partnership is monitored and evaluated against these goals;
52)	Mobilization of a coalition of interests drawn from more than one sector;
53)	Prepare and oversee an agreed strategy;
54)	Focus on appropriate product development and service delivery;
55)	Know what customers expect;
56)	Select correct service design standards;

- |     |                                |
|-----|--------------------------------|
| 57) | Deliver to service standards;  |
| 58) | Match performance to promises. |

The list of success factors provided above can be synthesised into a shorter, consolidated collection through the removal of duplicates, the combination of similar ideas, and the reformulation of ideas.

#### **5.11.1 Consolidated success factors from this chapter**

The consolidated success factors for PPPs identified in this chapter are shown in Annexure C.

### **5.12 FURTHER DISTILLATION OF SUCCESS FACTORS**

This list of success factors now need to be compared and integrated with the success factors identified in the previous chapter. The list of factors from the previous chapter is shown in Annexure C and will be followed by a combined and integrated list compiled through a process of synthesis.

#### **5.12.1 Integrated list of success factors**

In this sub-section a synthesis of the integrated list from Chapter 4 and the consolidated list from this chapter is made by combining the lists, removing duplicates and grouping similar concepts under collective headings. The consolidated list of success factors is shown in Annexure C. This consolidated and integrated list represents all the success factors identified up to this point. This list will be transferred for use at the end of the next chapter, where it will be combined with success factors identified in the next chapter.

### **5.13 CHAPTER SUMMARY**

This chapter has focused on the evaluation of PPPs, constituting a further exploration of avenues to identify critical success factors for partnerships. Various evaluation methodologies were described for two reasons: firstly to determine whether the methodology would be appropriate for the evaluation of the success of PPPs in general, and secondly to consider whether each evaluation methodology

would fit into the exploratory research design for this dissertation and could be used for the evaluation of case studies in the next chapter. The first evaluation methodology discussed was comparative case study analysis, after which evaluation based on characterization was discussed, which lead to the development of a characterization framework for PPPs which can also be used for PPP evaluation. Next, the purpose and performance implications of PPP definitions was explored, which lead to the development of a methodology to derive PPP performance indicators from PPP definitions, as well as the framing of a comprehensive definition for PPPs. A discussion of performance management for business improvement districts followed, after which programme evaluation was discussed. The discussion then moved on to an alternating focus partnership evaluation methodology and the evaluation of service delivery, as well as the defining of an appropriate success measure for partnerships.

The identification of success factors as well as the development of an instrument for partnership success measurement continued throughout this chapter. Towards the end of the chapter a proposed success measurement instrument was presented and explained. It was indicated that the instrument could be used at any life cycle stage of a PPP and could be used with various levels of detail, depending on the availability of evaluation resources. At the end of the chapter, the success factors that were identified within the chapter were listed and then refined before being combined with the combined list of success factors from the previous chapter for a distillation process where duplications were removed or combined and new unique success factors were added.

### **5.13.1 Conclusion**

This concludes Chapter 5. In Chapter 6 a collection of case studies will be analysed in an effort to test the evaluation tool developed in this chapter, and also to identify any additional critical success factors.

1	2	3	4	5	<b>6</b>	7	8
<b>EXAMPLES AND THEIR SUCCESS OR FAILURE</b>							

Chapter 1: INTRODUCTION
Chapter 2: PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW
Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT
Chapter 4: CRITICAL SUCCESS FACTORS Perspective 1: Collecting opinions and evidence from literature
Chapter 5: EVALUATING PUBLIC-PRIVATE PARTNERSHIPS Perspective 2: Interrogating definitions and opinions of success to establish success measurement instruments
<b>Chapter 6: EXAMPLES AND THEIR SUCCESS OR FAILURE Perspective 3: Analysing case studies using measurement instruments from the previous chapter</b>
Chapter 7: SUCCESS AND FAILURE: SEARCHING FOR A PATTERN Comparing the evidence from different perspectives
Chapter 8: SUMMARY AND CONCLUSION: KEY ASPECTS OF SUCCESSFUL PARTNERSHIPS Synthesis: Evaluating the evidence
9.: ABBREVIATIONS AND ACRONYMS
10.: REFERENCE LIST
11. Annexure A: PPP ENABLERS PER COUNTRY
12. Annexure B: QUESTIONNAIRE TABLES

## 1     **6     EXAMPLES AND THEIR SUCCESS OR FAILURE**

### 2     **6.1     INTRODUCTION**

3  
4  
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In previous chapters of this dissertation an overview of partnerships was provided, success factors for partnerships were discussed and in Chapter 5 the evaluation of partnerships was discussed and an instrument for the measuring of partnership success was developed. In this chapter, elements of the instrument developed in Chapter 5 are used to evaluate the performance of several partnership examples taken from a wide variety of settings and then focusing on some South African examples. In discussing many different partnership examples, a pattern can be found in the successes and failures in partnerships in order to further expand the understanding of success factors for partnerships. After each example has been discussed, indications of performance that appear within the text that describes the case study will be lifted out and where sufficient information is available, an indication will be given of whether the example partnership was successful or not. While the actual evaluation of case studies is not the central aim of this dissertation, the discussion in this chapter will provide additional opportunity to identify critical success factors for PPPs. The analysis of case studies aligns well with the exploratory research design of this study as described in Chapter 1. This chapter continues to use examples for the systematic extraction of evidence of specific success factors. Although each example is unique, a pattern emerges from the combination of all the examples. Each example of a PPP has its own DNA, but common traits can still emerge. At the end of this chapter the PPP success measurement tool developed in the previous chapter will be further enhanced with the conclusions regarding success factors that will emerge from the body of this chapter.

### **6.2     EXAMPLE SELECTION MOTIVATION**

In this section, the selection of PPPs for analysis and evaluation is described. There are so many examples of PPPs worldwide that it may be difficult to decide which examples to analyse and evaluate. Throughout the discussion in this dissertation, it has become clear that there are a rich variety of PPPs and in choosing examples to analyse one would not want to limit the analysis to a parochial selection of PPPs,

even if the focus of this dissertation is ultimately South African. The intention to consider a wide variety of quite different PPPs may not immediately seem helpful because it would be close to impossible to compare examples with each other on an equal footing. It can however be motivated that comparisons between PPPs is not the intention in this chapter; the intention is rather to describe a wide variety of PPPs, to consider each example on its own merit, and then to consider what the specific example can contribute to the wider body of knowledge on PPPs and what pattern emerges that can aid the search for critical success factors conducted in this dissertation. The selection of examples will thus have the objective of ensuring representivity of PPP examples that cover as wide a spectrum as possible. The reason why representivity is seen as a necessity in the choice of PPP examples is to firstly make the possible catchment area for success factors as wide as possible, and secondly to illustrate the wide variety of PPP types and forms and show how the PPP model has been infused into every nook and cranny of society and the economy.

There are of course many different ways of structuring the decision regarding which examples of PPPs to analyse. One approach would be to look at temporal structuring, where examples of PPPs are chosen to ensure the representation of different periods in history. A second approach would be to look at locational or geographic structuring, where examples of PPPs are chosen to ensure the representation of places, countries, regions and continents. A third approach would be to look at the different geographic scales at which PPPs can operate, such as local, provincial, national, regional, continental and global scales. A fourth possibility is to approach the structuring from a sectoral perspective, where the examples of PPPs chosen for analysis are related to the economic sector (primary / secondary / tertiary) they represent. Fifthly, it would be possible to choose PPP examples based on the sort of product or service that they provide, i.e. the industry they are involved in. A sixth approach would be to consider the life-stage of the PPP examples, and ensure that PPPs in all PPP life stages are represented. The structuring of PPP examples based on the size of their budgets or resources is a seventh option. Finally, as an eighth option, the partnership type can be used as organising mechanism.

The decision of the researcher is not to apply any one of these possible structuring mechanisms on its own, but to rather use all structuring mechanisms at the same time by indicating where each example of a PPP used stands in terms of each of the six possible structuring mechanisms. The choice of which examples to examine will be informed by the intention to discuss PPPs in every category of each of the six possible typologies of partnerships. The table below illustrates the six typologies and some sample categories which could emerge from each typology

**Table 6-1: Structuring mechanism for partnership example selection**

Structuring mechanism	Categories within each structuring mechanism					
<b>Time period</b>	Before 1900	1900-1960s	1970s	1980s	1990s	After 2000
<b>Location</b>	South Africa (Primary focus)	Africa	Europe	Asia	Americas	Other continents
<b>Scale</b>	Local	Provincial	National	Regional	Continental	Global
<b>Economic Sector</b>	Primary	Secondary	Tertiary			
<b>Product / Service / Industry</b>	Water and Sanitation	Transport	Local economic development	Tourism	Urban revitalization	Social development
<b>Life cycle stage</b>	Pre-project, Concept and initiation	Design and development	Implementation / Construction	Handover / Commissioning	Operation	Disposal
<b>Size (budget, resources)</b>	Unfunded	Small	Medium	Large	Macro	
<b>Partnership type</b>	BOT	BOTT	JV	Concession	Service contract	Management contract

### **6.3 DEPTH OF EVALUATION**

As described in the discussion on evaluation in the previous chapter, and specifically in the sections dedicated to comparative case study analysis as well as programme evaluation, the best way to evaluate a PPP would be to conduct in-depth programme evaluation and rigorous information collection. In order to really get to know a partnership one would need to investigate and comprehensively describe all aspects of a PPP, including its founding documentation. Given the research objective and



research design for this dissertation, such a detailed analysis of a large sample of PPPs was not necessary.

The approach followed in this dissertation, which is described in Chapter 1, entails the methodical and repetitive identification of success factors through different perspectives and layers of analysis. This approach makes it possible to focus less on the physical evaluation of case studies, reducing the need for in-depth case study analysis. The step-by-step addition of success factors collected through various different perspectives allows the researcher to conduct less intensive case study analysis and use the evaluation process, more than its results, in identifying critical success factors. The ideal approach would be to gather information on a wide-ranging and comprehensive collection of contracts and to evaluate what the successes and failures are, but seeing that such fieldwork was not accommodated in the research design, the researcher has relied on descriptions of partnerships from literature, from the collection of partnership updates through a media monitoring mechanism, from personal interviews with stakeholders, and from direct observation.

#### **6.4 MINIMUM INFORMATION REQUIREMENTS FOR EVALUATION**

In this section the minimum information requirements to enable a meaningful evaluation of a PPP's success or failure will be discussed with a view to the case studies or examples that will be considered in this chapter.

##### **6.4.1 Detailed evaluation and face-value assessment**

The evaluation instrument that has been developed in this dissertation requires the availability of a considerable amount of information regarding a partnership before it can be assessed. While a detailed assessment would in all cases be preferable, it should be recognized that in some cases it may not be possible to collect all the required information about a partnership in order to evaluate it. A need seems to exist for a quicker, face-value assessment of a partnership that only requires limited information before a preliminary judgement can be made on the success of a partnership. While the instrument is already designed to accommodate three different levels of information collection (basic, intermediate and comprehensive), it may be necessary to accommodate cases where very little information is in fact

available. The only viable solution in such cases is to consider the existing information at face value, to describe the PPP as far as possible with the available information, and make a case-by-case determination of the reliability of the sources of information and the validity of the opinions in the information. A performance assessment can then be made with a simplified evaluation instrument. It is proposed that in such a face-value assessment, only two success factors should be used in an evaluation instrument. These are the two critical success factors identified in the discussion of programme evaluation in the previous chapter: the satisfaction of a public need and the achievement of the goals of the PPP.

**Table 6-2: Face-value partnership success evaluation instrument**

<b>Face-value PPP Success Evaluation Instrument</b>	
Partnership description:	<i>Characterization</i>
Evaluability assessment:	<i>A PPP is evaluable with this instrument on two conditions: 1: The available information shows whether a public need was satisfied. 2: The goal or purpose of the PPP and its achievement or otherwise can be derived from available information.</i>
Question 1: Has the partnership delivered a public need?	<i>5: Absolutely, always true; 4: Generally true; 3: Sometimes true; 2: Rarely true; 1: Never/Not true</i>
Question 2: Has the partnership succeeded in its goal?	<i>5: Absolutely, always true; 4: Generally true; 3: Sometimes true; 2: Rarely true; 1: Never/Not true</i>
Additional comments	<i>As required</i>

The evaluation of goal achievement is of course dependent on knowing the goal or purpose of the partnership. In cases where the goal of the partnership cannot be derived from the available information, the PPP is simply not evaluable, not even with the face-value assessment instrument proposed here. It should be borne in mind that the fact that a PPP is not evaluable does not mean that it cannot provide insight into PPP success.

#### **6.4.2 Learning from examples that are not evaluable**

By considering a wide variety of examples, the impact that differences in PPP management can have on partnership success can be determined and recorded as lessons towards PPP success. The non-implementation of success factors and

factors contributing to failure can also be identified and converted into success factors. As indicated in the previous section and above, there may be difficulties in evaluating partnerships, especially when based on limited knowledge of the partnership. If some of the examples are not described well enough to give a good indication of success or failure, they may still contain information in which additional knowledge of success factors can be found. The intention is thus to try and determine success or failure in each case, and where this is not possible, to at least find pointers relating to success factors in each example. After describing the partnership itself, the questions that will be asked regarding each example PPP are:

- What is the point of this example?
- What is the new knowledge contained in this example?
- Is success or failure evident in this example?
- Which success factors can be derived from this example?
- Which performance indicators can be derived from this example?

Where possible, success factors will be identified at the end of each case study. The discussion of case studies can now commence. Partnerships of different scale will first be described, progressing from local through regional to international PPPs. The first examples that will be described are partnerships at a local or municipal level.

## 6.5 LOCAL PARTNERSHIPS

### 6.5.1 Partnerships in rural Sweden

A number of partnerships, with a focus on local economic development, were created in Northern Europe, from the 1950s to the 2000s.

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>1950s to 2000s</i>	<i>Local economic development</i>	<i>Sweden, Northern Europe</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>Primary, Secondary, Tertiary</i>		<i>Operation / Disposal</i>
<b>Scale:</b>	<b>Size:</b>	
<i>Local</i>		

The municipality of Osby is a small provincial municipality which had about 13 500 inhabitants in 2002. This figure declined to around 12 600 in 2007 (Statistics Sweden, 2009). It is located in the north of Scania (Skåne), a county in Southern Sweden, and 100-200 km from the densely populated and dynamic areas of western Scania. The people in this northern region have long been known for their enterprising spirit. In the sixteenth century they were well known for their woodwork, especially for the production of clogs and baskets, and for the exploitation of their forests in their partisan wars against the invading Swedish Army (at the time Scania was part of Denmark) (Collin & Hansson, 2000:201). Osby has two dominant employers, the municipality and BRIO, which is a family-company producing wooden toys (BRIO Group, 2009). The rest of the employed people work in the extensive small-firm sector. The number of businesses in Osby is no more than 700 (i.e. one business per 20 inhabitants) (Collin & Hansson, 2000:202).

Cooperation between the private sector and the public sector has been present in Osby for many years. In the 1950s, one of the strongmen of the municipality, Gösta Darlin, who had started a central-heating business, initiated the construction of a compound house (mixed use community and commercial centre), which later became a central building in the main borough. Inside there was a restaurant, an assembly hall and a theatre, and the house was financed by several of the large employers, among them the municipality, BRIO and Darlin's own business (Collin & Hansson, 2000:202). The municipality offers many such examples of public-private partnership. Osbyhälsan AB was created as a limited company by the municipality and several private firms as its owners. The goal of the firm was to provide health care for its owners' employees. Södra Sveriges Fastbränsle AB was created during the oil crisis of the 1970s in order to exploit peat bogs in the surroundings. It involved cooperation between a number of municipalities located in the area and some private firms, among others Södra Skogsägarna, a wood corporation, and Sydkraft, an electrical-power company (Collin & Hansson, 2000:202).

The habit of cooperation over institutional borders between the public and private sectors in Sweden made it possible for the modern "partisans" in Osby to easily organize cooperation between the municipality and several private firms when the municipality was besieged by economic hardship in 1991. The central borough –

Osby Municipality – has a station which is part of the national railway system. The railroad runs through the borough, separating it into two halves. Thus, it is a very obvious and important feature of the municipality. In the autumn of 1991, the State Railway Corporation informed Osby Municipality that it had decided to discontinue goods traffic as a result of low profitability. Many businesses in the borough used the railroad as an easily available transportation means, and some large industries were dependent on the railways. With no goods traffic to the borough, some of the industries would have been forced to leave and relocate their production facilities to alternative locations where such transportation means were available. The politicians in the municipality recognized the economic importance of goods traffic, and some even thought that this was the beginning of the end for the railway in Osby as it occurred to them that without rail traffic, the closure of the railway station would be imminent (Anheier & Seibel, 1990:11; Collin & Hansson, 2000:202).

With the maintenance of goods service as their common interest, a group of local politicians and entrepreneurs organized a trip to the city of Malmö, the provincial capital, where they negotiated with the railway authorities. They returned home with an idea of how to organize a company and how to contract for goods traffic with the State Railway Corporation (Collin & Hansson, 2000:202). OsbyTåg Ek. För. was established as an incorporated association to manage railway freight handling including shunting, loading and unloading of wagons. Its purpose was to secure continued goods rail traffic to the town. The municipality and a group of businessmen acted as its owners (Collin & Hansson, 2000:202). Each owner was expected to invest at least 10 000 SKr (approx. € 1 100) in the firm. The firm entered a contract with the State Railway Corporation in which it undertook to pay compensation of 1500 SKr (approx. € 168) for each wagon if the yearly volume of freight did not reach at least 400 wagons. The contract was, however, constructed with a degressive tariff that meant that where the freight exceeded a volume of 1000 wagons a year, no extra charges would be levied. The task of this newly founded firm was to take care of the freight when it arrived at Osby. This included shunting, loading and unloading of wagons. The firm did not have any personnel of its own and relied on employees of its owners to conduct the work. The municipality provided the firm with two employees and two of the private firms that co-owned the new firm also contributed

two employees of their own. The firm did not have any formal contracts with those working for it (Collin & Hansson, 2000:203).

By 2000, Collin and Hansson reported that the operation had been far more successful than was first imagined. One reason is that the firm succeeded in persuading IKEA, a large furniture corporation with headquarters not far from the municipality, to have a storeroom in Osby, and to use the railroad for the transportation of its products. The degressive tariff combined with an increase in traffic led to dramatically good results in 1994 and this, in turn, made it possible for the firm to bring down the cost of transportation for the goods of its owners (Collin & Hansson, 2000:203). The workload of the new firm was not shared equally by each of its owners, nor was its benefits accrued to them in equal proportion. The municipality itself provided the firm with two of its employees to take care of shunting and administration, a substantial investment, and its Secretary for Industrial Policy headed the firm. Although BRIO invested 50 000 SKr (€ 5 600), it hardly utilized the railroad. AB Heinz Nilssons Plåtbearbetning, on the other hand, depends heavily on the railroad and has considerably benefited from this joint venture. Heinz stores its customers' steel rolls, and on their demand, cuts these rolls and sends them to its customers. The steel rolls are sent by rail to Osby from all over Europe. Thus, without goods traffic, Heinz would have had to find another location for its operations. When the threat of the railway closing down was imminent, the young owner of Heinz actively engaged in the establishment of OsbyTåg Ek. För. With the operation of the firm becoming routine, Collin and Hansson reported in 2000, he had discontinued his engagement in it. Of course, Heinz is still dependent on the railway traffic, but none of its fifteen employees are in any way involved with the operations of OsbyTåg Ek. För (Collin & Hansson, 2000:203).

The municipality of Osby is one of the municipalities in Sweden which has the highest number of public-private partnerships per capita. It is situated in a part of Sweden where the lack of natural resources has made the enterprising spirit of the residents its most important resource. It is this abundant local entrepreneurship which has so easily made partnerships possible when the circumstances have made them necessary. These partnerships are mostly based on informal relationships without any need for formal contract. Each partner simply provides the resources it has or

can afford to hand over. Such readiness to establish partnership is not the result of any major ideological discussion about crossing the boundary between the public and private sectors (Collin & Hansson, 2000:203), but rather a combination of necessity and capability. In short the lesson here is that circumstances have made partnerships necessary and that local entrepreneurship has made them possible. Also remarkable is that these partnerships have not led to any major conflicts between profit-seeking private entrepreneurs and socially aware politicians. The readiness or willingness to partner is also, according to Collin and Hansson (2000:204), the outcome of a common fear of an external threat, whether it is from some state corporation as explained above or an institution such as the Swedish Army as experienced in the history of the community. To counter this threat, both the local politicians and entrepreneurs have organized “partisan” partnerships in order to mobilize resources and co-ordinate actions.

*Performance assessment:*

The partnerships in Osby, based on available evidence from literature, are seen as successful due to the endurance of the partnerships and the achievement of partnership goals. The compound house built in the 1950s became a centre of community activity, and the train service was continued, which means that in both instances the goals of the partnerships were achieved. There is not enough information available to make a judgement on the success of the health care and peat bog energy partnerships.

*Success factors identified from this case study:*

- Formal agreements are not necessarily required to make a partnership successful;
- Common fear of an external threat can motivate parties to form partnerships and ensure that such partnerships work. In this case, the threat was the discontinuation of a transport service, which would have impacted on the economic livelihood of the town;
- The need for a survival strategy can be an indicator for motivation to ensure success – crisis ensures focused collaboration and increase the chance of success;

- If a sector (either public or private) fails to provide a required service and the need still exists, PPPs are possible;
- A market for a specific public service exists but is not satisfied by the existing public or private sector;
- Local entrepreneurship;
- Circumstances that force a collective response.

The discussion now moves from Sweden to the UK.

### 6.5.2 Anonymous troubled partnerships from the UK

Time period:	Focus Area / Sector:	Location / Setting:
1990 - 2006	Urban regeneration	UK, Western Europe
Economic sector:	Partnership type:	Life cycle stage:
Tertiary		
Scale:	Size:	
Local		

Rowe (2006), in an article on abusive partnerships, chose to discuss examples of abusive partnership without mentioning the jurisdictions in which these occurred. In his comments on these anonymous partnerships, he indicates that one jurisdiction was awarded New Deal for Communities (NDC) funding, and the local authority established a partnership that sought to bring a range of people around the table. However, unwilling or unable to trust the partnership as an autonomous body, the authority seconded staff to the new organization and put in place a tough Accountable Body agreement that ensured that all decisions were thoroughly vetted by the authority. While not intended as a way of fixing decisions, partners, and particularly residents, balked at the unnecessarily heavy-handed rules and procedures that were introduced. Decisions to hinder progress on some applications for funds, many from voluntary and community groups, were in contrast with the successful bids submitted by public agencies. It appeared to be a deliberate attempt to control the funding rather than a cautious approach to partnership working. The partnership soon struggled under the burden of suspicions and hostilities. The authority thus undervalued the perspective of residents and other lay persons. It seems that signs of danger for a local partnership is when one public agency



dominates decision-making or when patterns of spend indicate a bias towards local public agencies with few small and/or innovative projects (Rowe, 2006:212).

#### 6.5.2.1 “Shotgun partnership”

Rowe also describes a partnership where the partnership was only a means for the local authority to access additional funds, without any real intention to involve other stakeholders in decision-making. Stakeholders are told what to do and forced to toe the line or face dire consequences. The example concerns securing Neighbourhood Renewal Funds (NRF). In order to secure such funding, the community was required to form a Local Strategic Partnership (LSP). The local authority intervened at an early stage, interpreting the funding as “theirs”. Senior councillors and officers believed the process of partnership to be an unnecessarily time-consuming way of allocating resources. Rather than waste time over a relatively small amount of money, senior officers were invited to identify priorities for spending to be met from NRF. In their enthusiasm, the officers managed to identify “priorities” that would require twice the funding available. Thus, all available funding was committed for three years. When the LSP finally met and was tasked to develop a programme within a very short timescale, they were presented with one already completed. The local authority did not attempt to pretend that this was up for discussion. The purpose of the LSP was simply to allow them to draw down the funding. A subsequent evaluation diplomatically suggested that their approach was unfortunate. Progress on the priorities of the partnership was hindered by this opening ploy, one that soured relationships between the major public agencies across the authority. Indeed, the community representatives took an adversarial stance against the local authority (Rowe, 2006:212). In this example the local authority ignored due process where it would have been advisable to first negotiate priorities with partners, then to establish baseline information and set targets, and then to develop interventions – all of which takes time (Rowe, 2006:212).

It is interesting that Rowe’s (2006:212) examples indicate that government employees are more entrepreneurial than commonly imagined. This is evident in the endemic “fight for budget”. Every new funding stream is another opportunity to try to secure resources, regardless of the fit with the objectives of the funding stream or

with the needs of intended beneficiaries. For some public agencies, successfully securing funds is an important indicator of the effectiveness of officers. This conception often encourages a crude budget-maximizing approach. Signs of danger identified by Rowe that may lead to the malfunctioning of partnerships include: A lack of clarity about purpose, roles and responsibilities; opaque decision-making processes; projects that show no sign of innovation or of joint-working and are often the continuation or extension of existing initiatives; projects with little focus on areas of deprivation or on priority client groups; and highly structured meetings with game-playing and formalized conflict (Rowe, 2006:213).

*Performance assessment:*

All the partnerships described by Rowe have obvious problems with internal communication and mutual trust. The partnerships might have achieved their goals from the perception of the public partner representatives, but not from the perception of the private participants.

*Success factors identified:*

- Clear purpose, roles and responsibilities;
- Transparent decision-making processes;
- Collaborative innovation;
- Focus on high priority areas and clients (e.g. deprived areas for social programmes);
- Honest, sincere and respectful collaboration in meetings.

*6.5.2.2 Partnerships of convenience*

In a partnership where all parties are only using the partnership as a way of accessing funds without real collaboration, it is possible to speak of a partnership of convenience. The example here concerns Children's Fund resources which are intended to support innovative projects targeted at children at risk of, for example, exclusion from school. Requirements for access to the funds include that funds should be spent by a partnership that engages with and is informed by consultation with parents and children. Awarded a small amount, one local authority created a partnership structure. Bringing together the major providers, notably education, social

services and health (though with the latter playing a minor role), with their constituencies of voluntary sector providers, allowed funding to be diverted to supplement existing funding. Each participant gained funding with minimal scrutiny of project proposals. At the same time, access to resources bought off any possibility of dissenting voices, particularly among those voluntary sector organizations providing services to the black and minority ethnic communities (Rowe, 2006:213).

The partnership bound participants into a complicit relationship where each benefits without being open to scrutiny from the others. This is a partnership of convenience because externally, it presents all the appearance of a partnership, with appropriate paperwork detailing discussions about matters such as funding priorities and conflicts of interest (Rowe, 2006:213). Such a partnership of convenience can be predicted to lean towards the maintenance of the present status quo and a lack of innovation. Rowe (2006:213) indicates that the lack of innovation in the partnership is illustrated by the language used in its documentation:

- "...the fund will supplement...:
- "Fund money will be used to continue paying..."
- "...the project aims to enhance existing..."
- "...allow the centre to keep running to full capacity..."

It is evident that signs of problems for a partnership include a spending profile that mirrors the participants in the partnership.

#### *Performance assessment:*

- This partnership is a good example of previous discussions in this dissertation that indicated that the existence of a partnership does not denote success. What is interesting is that the partnership might have achieved its goals, but in a way where the ends do not justify the means. A face-value assessment would have indicated success, but a detailed assessment, prompted by Rowe's observations, will pick up on the concerns regarding a lack of scrutiny of processes.

#### *Success factors identified:*

- Real collaboration;

- Financial control;
- Robust internal process to evaluate proposals;
- Transparency and peer review within partnership;
- Focus on innovation and improving the status quo.

### 6.5.2.3 *Abusive partnership*

One regeneration partnership was formed in the face of opposition from the local authority, which had wanted other wards to benefit. Residents of the ward formed a board, which they dominated. However, they lacked experience in the basics of establishing an organization, of setting up systems and overseeing staff. They turned for advice to their Accountable Body, a public agency that had stepped in, in place of the local authority. The Accountable Body advised on the appointment of a chief executive without a job description or any clear lines of oversight from the board. They established project approval and monitoring processes that lacked clarity or robustness but over which they had complete control. In effect, the organization lacked any rules or structures. The Accountable Body and chief executive, between them, took control of decision-making, the funding and the board. A select group of board members were embraced by the chief executive and the Accountable Body and given privileged access to decision-making. Other members of the board were excluded from influence. As a consequence, the two groups of board members effectively formed opposing voting blocks over the main issues. Meanwhile, the chief executive and the Accountable Body were able to work deals to spend funds on capital projects and investments with little regard to cost-effectiveness or conflicts of interest. While board members blamed each other for the partnership's lack of impact, the funds were rapidly depleted. Why is this partnership considered to be abusive? Because the Accountable Body and chief executive quite literally manipulated people, their weaknesses and aspirations, in order to pit them against each other.

Certain predictors of failure can be deduced from the discussion in the preceding pages. The following are possible reasons for failure that have been extracted from the literature:

- an unwillingness or inability to trust the partnership;

- heavy-handed rules and procedures have been introduced;
- deliberate attempts to control the funding;
- suspicions;
- hostilities;
- underestimating value of clients' perspectives;
- preponderance of staff from one public agency;
- public agency dominating decision-making;
- patterns of spending indicate a bias;
- claiming ownership of funding;
- frustration and inefficiency;
- decisions taken on behalf of partnership;
- misuse of the partnership to access funding;
- soured relationships;
- adversarial stance;
- ignored processes.

*Performance assessment:*

It is not clear whether the PPP managed to develop the outcome it was established for, and therefore it is not possible to evaluate the PPP. The internal conflict is an indicator of failure but it is possible to argue that a partnership which does not deliver while everyone gets along famously is in fact less successful than a partnership which does deliver but where strained relationships abound. Except, of course, if the goal of the partnership is to be a place where everyone gets along.

Success factors identified:

- Willingness and ability to trust the partnership;
- Participation in rule-setting;
- Transparency in financial management;
- Joint control of partnership funds;
- Openness and communication;
- Conflict management;
- Understanding the value of clients' perspectives;
- Equality within the partnership;

- Joint decision-making;
- Joint prioritization of spending;
- Purposeful collaboration;
- Commitment to partnership goals;
- Positive attitudes;
- Established, respected processes.

The above examples have been from the UK and the discussion now moves to the German city of Bremen.

### 6.5.3 Bremen Online Services

Bremen Online Services GmbH & Co. KG (BOS) was founded as a private-public partnership in 1999. The majority owner is the *Freie Hansestadt Bremen* - the Free Hanseatic City of Bremen (Klein, 2005).

Time period:	Focus Area / Sector:	Location / Setting:
<i>1999 to date</i>	<i>Software development</i>	<i>Germany</i>
Economic sector:	Partnership type:	Life cycle stage:
<i>Tertiary</i>		
Scale:	Size:	
<i>National</i>		

BOS develops and implements e-government solutions for national, regional and local governments based on modern signature, encryption and payment technologies. BOS supports a full variety of public services, ranging from filing and reporting systems to the delivery of public notifications and orders (Bremen Online Services, 2005). Deutsche Telekom views Bremen Online Services as an important market opener for electronic signature technology, which is a rather expensive technology and in which Telekom's subsidiary, TeleSec, has invested a lot of development efforts. But there are overarching concerns as well. First, creating online traffic is the core objective for any telecommunications provider, and developing new services is a way to do so. But Deutsche Telekom's involvement is also justified by the privatization of the German telecommunications market and its consequences. Deutsche Telekom once held the monopoly in the German

telecommunications market, when it was the national telecommunications provider. Now, it is still by far the strongest player, but it needs to operate in a competitive market. Especially in bigger cities, new telephone companies run by public utilities or now-privatized public telecommunications providers, present a challenge. In general terms, participation in Bremen Online Services means a better grounding for Deutsche Telekom in the Bremen market, which is also being fostered by other projects with the city, such as providing public access points to the Internet in schools. Sparkasse Bremen, the local savings bank, has an almost 50 percent market share in private banking of all regional households. Together with the other local savings banks in particular, and the whole banking industry in Germany, it has introduced a prepaid purse feature on the common, standardized debit card (ec-Karte). This feature, GeldKarte, is available to every owner of such a card, but it lacks usage. For the banks, use of this feature would mean increased balances of book money and less handling of paper money, especially coins. Also, with new card-reader technology, the GeldKarte is usable as a means for Internet payment. Thus, for Sparkasse Bremen, partnering with Bremen Online Services means not only an added service for its customers and an improved public image, but it might also help spur use of the GeldKarte.

Several IT software developers have been and are involved in Bremen Online Services. Most significantly, a German start-up company which had acquired a significant market share in online banking software, Brokat, hoped to open a new market, electronic government, for its technological platform. However, specific demands of electronic services for public administration require a highly flexible and more complex infrastructure, which was ultimately not developed by this company. Other IT-partners have expertise in several fields of IT support in public administrations, but lack electronic signature, integration, and online-payment know-how. For these, partnering with Bremen Online Services is a strategic partnership to improve their own products as well. Several local, regional, and national service providers have been approached by Bremen Online Service, not as development partners, but as partners who offer their services via the same platform. While their involvement increases use of the platform and makes its services more attractive, these service providers also benefit from cooperation. For example, the local public utility company not only offers its services, such as change of address or registering

readings of water and electricity meters online, but issues signature cards in its customer centres and provides assisted access points. This, in the eyes of the public utility company, increases customer service and helps to keep customers. The same value proposition can be made for the local public transport company. Other service providers, such as Deutsche Post or health insurance providers, are primarily partnering with Bremen Online Services because it allows them to be present in the One-Stop-Government feature and, as long as public funding is available, to gain experience with new signature and payment technology.

The range of BOS services includes individually coordinated and aligned solutions to customers, to fit their particular needs and generate the expected benefits. In its company profile statements, BOS state that they pay special attention to their customers' satisfaction:

*“...we are your partner not only before but also - even more so - after the purchase”* (Bremen Online Services, 2005).

The online information service of the City of Bremen features 120 online services, 60 of which use electronic signatures in accordance with the German Signature Law. BOS refined, realized and operates all of the services, which represent legally binding communication between public administration, citizens and businesses. For financial services, online payment methods such as direct debit authorization, GeldKarte (electronic purse), HBCI-transfer, EC-Cash and credit card payments are offered. Among other awards, the Internet portal won the European Commission's eGovernment Award 2003 (Bremen Online Services, 2005). BOS has also won various other e-government contracts with national and local government agencies (Bremen Online Services, 2005), including a leading EU e-government project with Bologna, Bremen and Sheffield. The partnership is therefore enabling Bremen to increase its visibility, and it is competing with commercial organizations at an international level (Certiserv, 2005). The BOS client list in 2005 was quite extensive:

- BISAM Nordrhein-Westfalen (Electronic benefit applications: Basis Information System for Employment Politics, North Rhine-Westphalia)
- Bundesamt für Naturschutz (Federal Nature Conservancy)



- Bundesamt für Sicherheit in der Informationstechnik (Federal Office for the Security of Information Technology)
  - Bundesfinanzhof (Federal Office of Financial Affairs)
  - Bundesministerium des Inneren (Federal Ministry of the Interior)
  - Bundesministerium für Wirtschaft und Arbeit (BMW, Federal Ministry for the Economy and Labour)
  - DB Systems (German Railways Systems)
  - Deutsches Patent- und Markenamt (DPMA, German Patent and Trademark Office)
  - Deutsches Zentrum für Luft und Raumfahrt (German Aerospace Centre)
  - Freie Hansestadt Bremen (Free Hanseatic City of Bremen, city-state government)
  - Gewoba (Housing company)
  - Justizministerien von acht Bundesländern (Ministries of Justice from eight German States)
  - Kommunale Spitzenverbände in Niedersachsen und niedersächsische Datenzentralen (Local Government Organizations and Data Centres in Lower-Saxony)
  - Kooperationsausschuss Automatisierte Datenverarbeitung (Cooperation Committee for Automated Information Processing)
  - Landesanstalt für Arbeitsschutz Nordrhein-Westfalen (Regional Office for Health and Safety Regulations, North Rhine-Westphalia)
  - Logistikzentrum der Polizei Baden-Württemberg (Centre for Logistics of the Baden-Wuerttemberg Police)
  - Nordrhein-Westfalen (German State North Rhine-Westphalia)
  - Saarbrücken (State capital of Saarland)
  - Seestadt Bremerhaven (City of Bremerhaven)
  - Stadt Freiberg (City of Freiberg/Saxony)
  - Stadt Hagen (City of Hagen)
- (Bremen Online Services, 2005)

The establishment of the partnership (BOS) needed considerable seed funding which became available through winning a competition (Klein, 2005).

*Performance assessment:*

It seems to have survived and to still be in operation in 2011, although some structural changes may have taken place. Its profitability is unknown.

*Success factors identified:*

- Seed funding;
- Customer service focus;
- Flexibility to exploit opportunities.

Different local-level partnerships have now been discussed. In order to unlock more variety, the next partnerships will be of an international scale.

**6.6 INTERNATIONAL PARTNERSHIPS**

In this section international examples of PPPs and other partnerships will be described and evaluated.

**6.6.1 The Millennium Development Goals**

This example of a partnership goes beyond national boundaries – it concerns an international or global partnership focusing on socio-economic development.

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>2000 - 2015</i>	<i>Socio-economic development</i>	<i>Global</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>All</i>		<i>In operation</i>
<b>Scale:</b>	<b>Size:</b>	

The Millennium Goals represent a global partnership for development. The agreement makes it clear that it is the primary responsibility of poor countries to work towards achieving the first seven Goals. They must do their part to ensure greater accountability to citizens and efficient use of resources. The picture below illustrates the 8 millennium development goals, and then emphasizes the eighth goal which directly relates to partnerships.



For poor countries to achieve the first seven Goals, it is absolutely critical that rich countries deliver on their end of the bargain with more and more effective aid, more sustainable debt relief and fairer trade rules, well in advance of 2015, the target date. (United Nations Millennium Campaign, 2009; United Nations, 2010 [The Millennium Development Goals Report 2010]). It is therefore recognized that a partnership is required between poorer and richer nations to address global development, and because a partnership is seen as a solution, the inference is that partnerships are viable vehicles with which to solve complex problems.

*Performance assessment:*

The success of the Millennium Development Goals and specifically the “global partnership” is hard to determine, especially because of the timeframe which extends to 2015. There is, however, clear indications that the setting of the goals has focused global development activities.

*Success factors identified:*

- Each partner to contribute according to its own strengths

## 6.6.2 UN Commission on Sustainable Development

The next partnership to be discussed is also an international effort – a partnership to promote partnerships.

Time period:	Focus Area / Sector:	Location / Setting:
2004 – present (undefined period)	Partnership development	Global
Economic sector:	Partnership type:	Life cycle stage:
Scale:	Size:	

The CSD (Commission on Sustainable Development) Partnerships database was first launched in February 2004, in response to a request from the CSD at its 11th session. It was redesigned in May 2006 to increase user-friendliness, improve site navigation and enable easier access to partnerships-related information. The Partnerships Database aims at assisting and facilitating the identification of partnerships' activities and their valuable contributions to the implementation of sustainable development by making available a variety of searchable options. The information contained in this on-line resource is based on voluntary self-reports from partnerships registered with the Commission on Sustainable Development. In 2007, the list contained 344 partnerships (UN-CSD, 2009). The voluntary nature of the reports makes this initiative a partnership.

### *Performance assessment:*

The goal of the partnership is to make information about partnerships available. With voluntary reports being used, the fact that more than 300 partnerships have added their information means that the partnerships database is a success.

Success factor identified:

- Incentives for partners.

The following international partnership involves supporting entrepreneurs.

### 6.6.3 The SEED Initiative

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
2002 -	<i>Sustainable Development Entrepreneurship</i>	<i>International</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<b>Scale:</b>	<b>Size:</b>	
<i>International</i>		

The SEED Initiative - Supporting Entrepreneurs for Sustainable Development – is another international partnership example. SEED runs, as part of its activities, an international award scheme, which selects promising partnerships for sustainable development. The SEED initiative was founded at the World Summit for Sustainable Development in 2002, and launched its first award round in 2004 with simultaneous events at the World Economic Forum (WEF) and the World Sustainability Forum (WSF). By 2008, SEED Partners included the United Nations Environment Programme (UNEP); the United Nations Development Programme (UNDP); the World Conservation Union (IUCN); the governments of Germany, the Netherlands, South Africa, Spain, the United Kingdom and the United States (Creech & Paas, 2008:10–11). The SEED Award, part of the SEED Initiative, is a partnership building and capacity development award, through which expertise, advice, and contacts are made available to award winners from among its partners and from its support programme. The service providers managing SEED’s support programme work intensively with each award winner to assess their needs, agree on a support plan, channel funds for specific actions to strengthen and grow their enterprises, access technical assistance, build up their business plans, meet new partners, and raise their profile (Creech & Paas, 2008:10–11).

Another element of the SEED Initiative is SEED’s Research and Learning Programme (R&L Programme) which closely follows the experiences of the SEED Award winners. The case studies created and the lessons drawn are intended to inspire and support the creation of new partnerships, inform policy makers and assist in tuning the Seed Initiative to provide the highest quality services (Creech & Paas, 2008:10–11).

*Performance assessment:*

SEED Remains active and is achieving its purpose. The partnership can therefore be regarded as successful.

The next international partnership is aimed at international policing collaboration.

#### 6.6.4 Interpol

The “International Criminal Police Organization”, Interpol, is the world’s largest international police organization, with 188 member countries. Created in 1923, it facilitates cross-border police co-operation, and supports and assists all organizations, authorities and services whose mission is to prevent or combat international crime.

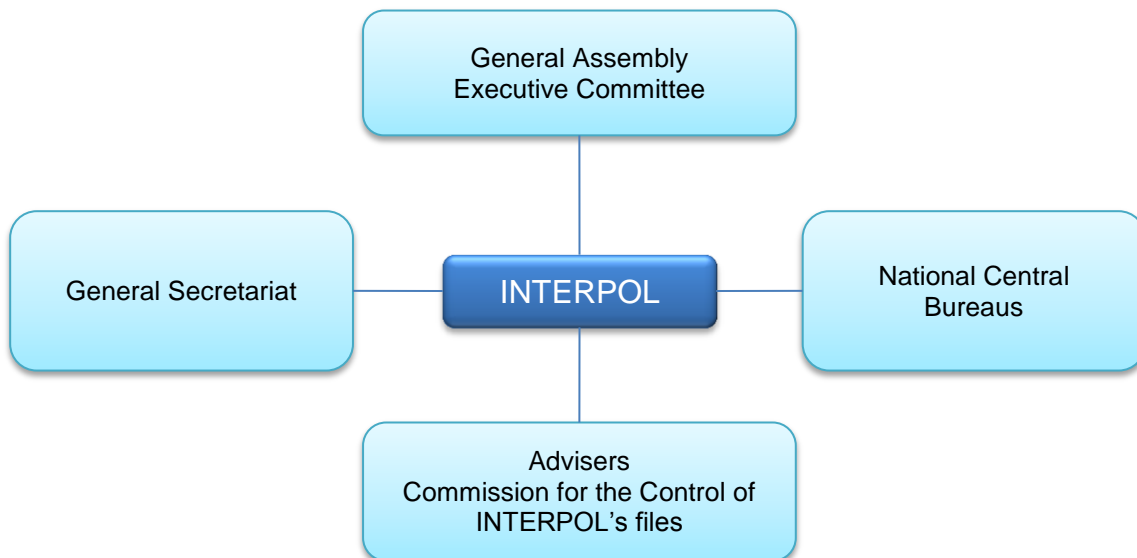
<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>1923 - Present</i>	<i>Crime prevention and investigation</i>	<i>Global</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<b>Scale:</b>	<b>Size:</b>	

It could be argued that Interpol is more a partnership between public sector organizations of different countries than it is a public-private partnership. However, Interpol itself is an independent body which is not a public body attached to any government, and the relationship between Interpol and its many member countries can thus be seen as a partnership between many public entities and one international non-governmental organization, residing outside the public sector and somewhere in the area of society covered by the private and third sectors. Interpol aims to facilitate international police co-operation even where diplomatic relations do not exist between particular countries. Action is taken within the limits of existing laws in different countries and in the spirit of the Universal Declaration of Human Rights. Interpol’s constitution prohibits “any intervention or activities of a political, military, religious or racial character”.

#### 6.6.4.1 Leadership

The President of Interpol and the body's Secretary General work closely together in providing leadership and direction to the organization.

#### 6.6.4.2 Structure



As defined in Article 5 of its Constitution, Interpol comprises the following:

- General Assembly;
- Executive Committee;
- General Secretariat;
- National Central Bureaus;
- Advisers;
- The Commission for the Control of Interpol's Files.

The General Assembly and the Executive Committee form the organization's Governance. The General Assembly is Interpol's supreme governing body; it meets annually and comprises delegates appointed by each member country. The assembly takes all important decisions related to policy, resources, working methods, finances, activities and programmes. The Executive Committee is a 13-member committee elected by the General Assembly, and comprises the president, three vice-presidents and nine delegates covering the four regions. The General

Secretariat, located in Lyon, France, operates 24 hours a day, 365 days a year and is run by the Secretary General. Officials from more than 80 countries work side-by-side in any of the organization's four official languages: Arabic, English, French and Spanish. The Secretariat has seven regional offices across the world; in Argentina, Cameroon, Côte d'Ivoire, El Salvador, Kenya, Thailand and Zimbabwe, along with Special Representatives at the United Nations in New York and at the European Union in Brussels.

Each Interpol member country maintains a National Central Bureau staffed by national law enforcement officers. The NCB is the designated contact point for the General Secretariat, regional offices and other member countries requiring assistance with overseas investigations and the location and apprehension of fugitives. Advisers, experts in a purely advisory capacity, may be appointed by the Executive Committee and confirmed by the General Assembly. The Commission for the Control of Interpol's Files (CCF) is an independent body whose mandate is threefold: (1) to ensure that the processing of personal information by Interpol complies with the organization's regulations, (2) to advise Interpol on any project, operation, set of rules or other matter involving the processing of personal information and (3) to process requests concerning the information contained in Interpol's files.

According to Interpol's constitution (Article 9), members shall do all within their power, in so far as is compatible with their own obligations, to carry out the decisions of the General Assembly (Interpol, 2010). It is therefore clear that involvement and cooperation with Interpol is purely voluntary, with little if any punitive measures in place to encourage member countries. The only real motivation is the benefit that each country receives from being involved in the organization, and this is motivation enough for all member states. The development of a model police cooperation agreement is a concept which has quite naturally gained ground within Interpol. Indeed, it seems obvious that the organization should provide its member countries with the legal tools they need to facilitate the cooperation they initiate bilaterally. A model agreement, based on numerous studies and reflecting a wealth of experience in international police cooperation, has therefore been compiled. In adopting this instrument, in particular for those member states that have not yet developed this



form of cooperation to a large extent, the organization is fulfilling its role as set out in its constitution, namely “to ensure and promote the widest possible mutual assistance between all criminal police authorities, and to establish and develop all institutions likely to contribute effectively to the prevention and suppression of ordinary law crimes” (Interpol, 2010).

*Performance assessment:*

Interpol is achieving its goals and providing for a public need, and can therefore be considered as successful.

*Success factors identified:*

- Clear goal setting;
- Effective organizational structure and systems;
- Partners benefit from their involvement;
- Commitment;
- Separate entity established as collaboration space;
- Collaboration;
- Voluntary involvement;
- Isolation from political influence.

After discussing partnerships at local and international scale, the focus can now change to different sectoral perspectives. Partnerships in the transport sector will first be discussed. Although from the same sectors, the partnerships to be discussed may not be on the same scale or from the same geographic location.

## **6.7 SECTORAL PARTNERSHIPS**

### **6.7.1 Road transport**

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>30 years from 1997</i>	<i>Transport</i>	<i>South Africa</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>Secondary</i>	<i>Concession</i>	<i>Operating</i>
<b>Scale:</b>	<b>Size:</b>	
<i>National and International</i>	<i>R 3 bn</i>	

The Maputo Development Corridor is a partnership involving two countries and a private partner. The project includes 525km of toll road and constitutes a 30 year concession contract of the SA and Mozambique governments with Trans African Concessions (TRAC) signed in May 1997. Financing was agreed to on 6 Feb 1998. (Sanral, 2006a:S19) Standard Bank was the original financier of the concession holder of the N4-East from Witbank (eMalahleni) to Maputo. Standard Bank claims that they did an “innovative R3 billion re-financing of the project”. According to their publicity, it was the first re-financing of a public-private partnership in South Africa (Standard Bank advertisement in Sanral, 2006:5). A 30-year concession contract was also closed between the South African National Roads Agency Limited (Sanral) and the N3 Toll Concession (Pty) Ltd (N3TC). The N3 between Gauteng and Kwazulu-Natal is the busiest transport corridor in South Africa. The road is of national and regional importance, and an essential connecting route for business (Sanral, 2006b:22).

*Performance assessment:*

Both of these toll routes are operating and could therefore be seen as successful at this stage.

*Success factors identified:*

- A market or demand exists for the service;
- Availability of financing.

**6.7.2 Public transport**

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>1950s to present</i>	<i>Public transport infrastructure</i>	<i>United States; Western Europe; China; South Africa</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>Secondary</i>	<i>Concessions</i>	
<b>Scale:</b>	<b>Size:</b>	
	€189 m / €172 m / £ 180 m / € 282 m / €1250 m / \$ 4.3 bn / R 12 bn – R 25 bn	

The following collection of examples focus on partnerships formed to establish and maintain public transport infrastructure in the United States, Western Europe, Asia and South Africa. Buisson (2006) relates that as public transportation became less and less profitable in the middle to late 20<sup>th</sup> century, the financing of the operation and the renewal of public transport systems was widely taken over by local authorities. The US is, paradoxically, an extreme example of this evolution. France, in the post-WWII era, had a mixed scene, with a few state or city-owned agencies and many private operators contracted by the local authorities. In France, the downwards trend of urban transit has been reversed, since the 1970s, by more involvement of the central government (mainly in the Paris area) and of the local authorities. Several cities have set up semi-public companies (“société d’économie mixte”, SEM – “mixed economy societies”) to operate their transit systems. In an SEM, the local authority is the majority shareholder, with minority private shareholders. SEM is thus a kind of private-public partnership which enables a more business-like type of management than a traditional public agency.

From the mid 70s, Transdev, as part of the state-owned financial institution Caisse des Dépôts, has been a prominent partner of urban transit SEMs in France, despite the fact that it also provides transit solutions through 100% owned subsidiaries. This arrangement could be described as a public-public-public partnership. Typically, Transdev has a 15% to 45% stake and manages the undertaking on behalf of the authority and provides management staff as well as technical and administrative support. The main SEMs that have chosen Transdev as partner are CTS in Strasbourg and SEMITAN in Nantes. All of them operate state-of-the-art light rail systems (LRTs), opened from 1985 (Nantes) to 2006. The success of the SEM concept has prompted its extension to the Italian city of Genoa: In 2005, Transdev acquired a 41% stake in AMT, the local municipal company in charge of urban transit (buses, trolleybuses, light metros, funiculars) with 2200 employees and €150 m revenue. Transdev provides high-level management and technical support to AMT. According to Buisson (2006), this is the first time a major Italian city entrusts the management of its transit system to a private operator via an open tender access. SEMs are not confined to operation and can act as investors in major-scale projects such as light rail transport systems on behalf of the local authority. Such a scheme has been adopted for the Strasbourg light rail. Shareholders in the project are the

Local Authority with 80% and CDC combined with Transdev with 20%. The project is a concession contract with Strasbourg local authority, subsidized by the central government with €189 million and partly financed through loans from banks totalling €172 million.

In the UK, a different form of PPP has been established for the construction and operation of the Nottingham light rail. Transdev created Nottingham Tram Consortium (NTC), a 50/50 joint venture with the municipally-owned local bus operator Nottingham City Transport (NCT), to operate the new system. The concession partnership was organized as part of the UK government's Private Finance Initiative (PFI) programme which encourages private-sector financing of public infrastructure (Buisson, 2006). The ARROW consortium is the investor and will operate Nottingham light rail for 30 years (2000–2030). ARROW Holdings is owned by Innisfree, CDC, Carillion, Bombardier, Transdev and NCT. The construction side of the project would be a fixed “turnkey” contract with financing from bank loans and equity at a total cost of £180 m (fixed). The operation of the project is organized differently with revenue coming from performance-related availability fees from the promoters as well as passenger fares. The outlay for operations would come from interest, and fixed capital, as well as performance-related operations and maintenance contracts.

In Reims, France, a 30-year PPP contract was awarded after open tender to the MARS consortium in July 2006 to design, build and operate a LRT (Light Rail Transport) system and to operate and maintain the existing bus system. The total investment cost would be €282 m and the City will pay an annual fee to the MARS consortium covering investment and operation costs, with penalties related to performance indicators (Buisson, 2006). The MARS consortium consists of Alstom (17%), Transdev (17%), Bouygues (17%), SNC Lavalin (5%), and the banks CDC, CE and Ixis (44%). In August 2006, the La Réunion regional authority made a final decision to build an interurban “tram-train” LRT system. The first stage of the project would stretch over 40 km and include major tunnel and viaduct works at an estimated cost of €1250 m. Due to the investment level, a decision was made to open a tender process for a PPP scheme. The anticipated construction period for the project would be from 2009–2013 (Buisson, 2006).

In China, Transrapid operates the world's first commercial maglev line linking central Shanghai with its new international airport. The Chinese government plans to extend the line to the eastern city of Hangzhou in the Zhejiang province at an estimated cost of \$4.3 billion USD, using German technology and Chinese components. Technology transfer, the decision on which parts are to be made in China, and costs are issues at stake here (China rail lift-off, 2006).

Moving back to South Africa and public transport in this country, the most high profile public transport PPP is certainly the Gautrain rapid rail link between OR Tambo International Airport, Sandton and Hatfield in the Gauteng province. With an 80km network, it intends to attract business commuters who would normally take private cars onto the congested highways connecting the Johannesburg and Tshwane metropolitan areas (Gautrain, 2010). Negotiation of the concession contract commenced in July 2005 (Projectpro, 2010) and construction on the project started in 2006, with the relocation of water pipes and electrical and telephone cables commencing earlier. The Bombela consortium was indicated as the preferred bidder for the building and operation of the project which was initially projected to cost between R7 bn and R12 bn. (Gautrain, 2010; Phasiwe, 2005) Later estimations of full project cost were around R25 billion (Slabbert, 2009:25).

The Bombela consortium comprises of, among others, Murray and Roberts and their French partner, Bouygues Construction, Bombardier and originally the Loliwe companies. Murray & Roberts owns 25% of the 20 year concession to build and operate the transport system while Bouygues owns 17%. Both have a share of 45% in the Bombela Civils Joint Venture which is responsible for building the infrastructure for the project (Gautrain, 2005; Slabbert, 2009:25). Operation and maintenance of the system will be carried out for 15 years by RATP Développement in association with its South African partners, through a local operating company. Thereafter the contract will be transferred to the Gauteng government (Slabbert, 2009:25). The project will be completed in two phases. The first phase was initially planned to be of a 45 months contractual duration, but was completed three weeks ahead of this, on 08 June 2010, in time for the 2010 FIFA World Cup™ in South Africa. The first phase includes the network between the OR Tambo International Airport and Sandton and

includes the stations at OR Tambo, Rhodesfield, Marlboro and Sandton, together with the Depot and Operations Control Centre located near Allandale Road in Midrand. The second phase, constructed concurrently, will be completed during 2011. It includes the remainder of the rail network and stations linking Sandton to Park Station in Johannesburg and the route from Midrand to Hatfield (Gautrain, 2010).

According to Mr Mbhazima Shilowa, premier of Gauteng when the project was launched, the Gautrain project would be the biggest private public partnership on the African continent (Le Roux, 2005b:12; Projectpro, 2010). The project had and still has its critics and from the inception of the project experts were sceptical about how commuters would be transported in comfort to and from the stations. While the consortium is also responsible for bus transport to and from the stations and parking at stations, some commentators believed that there would be considerable scope for additional business opportunities in providing transport services that could feed into the Gautrain network (Le Roux, 2005b:12). In what can be seen as a move towards establishing PPPs to benefit from the larger Gautrain PPP, the Industrial Development Corporation (IDC) intended to invest “millions” to establish a supporting transport network for the Gautrain project (Le Roux, 2005b:12). At that stage the IDC indicated that the Gautrain project could give excellent opportunities for small operators to link into what the IDC potentially saw as an extremely profitable project. “Naturally we believe that we can make money out of it. We will also look at the secondary industry that will develop around the project” (Le Roux, 2005b:12). The IDC’s policy is to concentrate especially on the development of black enterprises, in step with the government’s empowerment requirements.

(Le Roux, 2005a)

By August 2009, the main building contractors in the project were expressing reservations about the profitability of their involvement in the project, which had been affected by delays and disruptions. Murray & Roberts construction company were indicating that, as a result of the size and duration of the Gautrain and other mega-projects it is difficult for them to report income without negatively affecting either current or future shareholders (Slabbert, 2009:25). Despite delays in the project, Phase 1 of the project was commissioned in time for the World Cup and Gautrain had

transported more than one million passengers by September 2010 (Gautrain passes 'million passengers' mark, 2010).

*Performance assessment:*

It is not possible to express a definitive opinion on the success or otherwise of any of these public transport partnerships due to the long duration of the contracts and concessions. Even so, it should not be necessary to wait until a partnership has run its course and has been disestablished before an opinion can be constructed about the level of success of the partnership. This raises the question of whether there should be different success measurements for functioning partnerships and "completed" partnerships – partnerships which have reached the end of their intended lifespan. If, as stated in previous chapters, success is largely determined by the achievement of objectives, the bulk of the public transit PPPs mentioned in this subsection has achieved at least the goal of establishment. Some have progressed towards construction of infrastructure which would be operated by the partnership, and some have moved beyond construction into fully-fledged operation and delivery of public services. This narrative gives the impression that one could establish a set of generic partnership milestones which would indicate success of a partnership in various stages of its life cycle. This would however be a dangerous assumption because if no appropriate performance criteria are attached to such a milestone, the milestone could be meaningless. An example of a meaningless milestone would be the signing of a partnership contract, simply because, cynical as it may seem, the signing of a contract has little demonstrated bearing on the success or failure of partnerships, in the same way that the signing of a marriage contract does not guarantee a successful marriage.

With a lack of any meaningful way of measuring the success of the public transit partnerships mentioned here, one can hazard the opinion that the mere fact that they are operating, shows some degree of success, even if mere operation is not a sure sign of success.

- The Gautrain project is still in construction and partial operation at the time of writing this dissertation. It has been successful in terms of its stated objectives.

- The Chinese maglev train is in operation and could therefore be considered as successful at this stage.
- The various public transport projects in Europe are not described well enough to determine their success.

*Success factors identified:*

- Satisfying a public necessity - modern cities require modern transport structure;
- The project is a priority within a strategic plan;
- Right service at the right place at the right time;
- Sufficient public users of the service (market);
- Satisfying context-specific legal requirements, such as BEE in South Africa.

The discussion will now move from the transport sector to the energy sector.

### 6.7.3 Energy Sector: US (Nuclear) Power Reactor Development Programme

This example comes from the 1950s and concerns the establishment of the nuclear power industry in the United States. The focus of this particular example is thus advanced technology and the geographical setting is North America.

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>1950s</i>	<i>Nuclear power industry</i>	<i>United States, Northern America</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>Secondary</i>		<i>Completed</i>
<b>Scale:</b>	<b>Size:</b>	
<i>National</i>		

American commercial nuclear power began in the 1950s with the federal government's Power Reactor Development Programme, promoted by the Atomic Energy Commission (AEC), the Congressional Joint Committee on Atomic Energy, National Laboratory scientists, other nuclear energy specialists, and the White House as an initiative of the Eisenhower administration's Atoms for Peace Programme (Del Sesto, 1979). The Power Reactor Development Programme became a PPP, which was unique at the time, created to develop and to market nuclear technologies for



electric power generation. Directed by the AEC, it intended to “promote and encourage free competition and private investment in the development work, while at the same time accepting on the part of the government certain responsibilities for such development” (Del Sesto, 1979:52; Rosenbaum, 2000:61). The American federal government alternately seduced and coerced the initially wavering utilities and reactor manufacturers into creating a commercial nuclear capability (Bupp & Derian, 1981; Rosenbaum, 2000:61).

*Performance assessment:*

Commercial nuclear power generation became a major industry in the US and the PPP can therefore be regarded as successful. The fact that the industry is providing a public need, being electricity, satisfies the second requirement of a face-value success assessment. A more detailed analysis could however uncover information which could prompt a re-evaluation of this assessment.

The case study does contain information that point to success factors for PPPs, and these are listed below.

*Success factors identified:*

- Active public sector involvement;
- High-level political leadership / champion;
- Available potential partners with the capacity to participate.

**6.7.4 Establishing power generation capacity**

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>Current - 2050</i>	<i>Power Generation</i>	<i>Democratic Republic of Congo, South Africa, SADC</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>Secondary</i>	<i>Joint Venture</i>	<i>Pre-project</i>
<b>Scale:</b>	<b>Size:</b>	
<i>National and Continental</i>	<i>\$5 bn - \$80 bn construction cost</i> <i>Up to \$15 bn annual revenue</i> <i>Up to 50 000 MW electricity generation capacity</i>	

The Grand Inga hydro-electrical scheme in the Democratic Republic of the Congo has a potential electricity generation capacity of 39 500 MW, which is the same as 22 Koeberg nuclear power stations. Eskom, the South African parastatal power utility, has been interested in developing this opportunity. The World Energy Council, an international organization of electricity suppliers, indicated that the process to establish the partnerships between private investors and governments must start before the project can become a reality. “We are telling politicians that they can end up in a situation where they made progress on political level, but that none of the economical and technical preparations have been made”. The scheme will use water in the lower Congo river. The precursors to the project were Inga I (completed in 1972) and Inga II (completed in 1982). These hydro-electric dams are currently operating at 20% efficiency. Inga III is currently in design phase and will generate 3500 MW, enough for the DRC, and can be completed by 2025. The Grand Inga scheme will generate 39 000MW, more than SA’s total current capacity. The target date for its completion is between 2030 and 2050, with high voltage lines that will run north to Egypt and south to South Africa. (Bank Information Center, 2009; Reuters, 2009; Rainforest News, 2010; Vidal, 2008:16; Wachter, 2007; Wait, 2009; World Rainforest Movement, 2009)

*Performance assessment:*

The possible partnership is still in pre-project conception phase, therefore no real performance assessment can be made. A goal can be assumed but in this early phase of the life-cycle the project conceptualization must still be completed.

*Success factors identified:*

- Comprehensive preparations for programme conceptualization;
- A public need must exist.

This concludes the power sector discussion. The next partnership will be from the agricultural and water sector.

### 6.7.5 Agriculture and irrigation sector

Time period:	Focus Area / Sector:	Location / Setting:
2007 -	Irrigation	South Africa and Egypt
Economic sector:	Partnership type:	Life cycle stage:
Primary		Establishment / In operation
Scale:	Size:	
National		

The use of a partnership governance structure is a popular service delivery model for projects that require large initial capital investments, such as irrigation schemes. Examples include the Namibian wine farms irrigation scheme on the Orange River and the Lower Olifants River Water Users Association operating in the Clanwilliam / Vredendal area on the West Coast of South Africa.

In Egypt a partnership for sustainable irrigation involved the central government, a mobile phone company, clients represented in newly established water boards, Dutch experience in water boards and projects as well as financing support from the German development agency GTZ. “The Blue Line” is the name of the public-private partnership between GTZ, the Egyptian Ministry of Water Resources and Mobinil, the largest mobile phone operator in Egypt, launched in Cairo on 21 October 2007. It is intended to make the inhabitants of rural areas better able to organize their agricultural water supply themselves. Cuts in public services have left the approximately 50 000 kilometres of agricultural irrigation and drainage channels that have been created over thousands of years in danger of decay. Now the Egyptian Government is taking measures to counteract this. With support from GTZ, the Ministry of Water Resources and Irrigation has developed an extensive reform strategy. As part of the decentralization of the irrigation sector, the Ministry is establishing independent district water boards with support from the Netherlands. The partnership with Mobinil and GTZ is intended to reinforce this process. Mobinil was initially prepared to equip up to five new district water boards under “The Blue Line” initiative.

The first phase of the project included the provision of tractors and diggers by the private partner to newly established water boards for maintaining the water channels.

In addition Mobinil is supplying over two hundred telephones, computers, fax machines and telephone connections for mobiles and landlines at reduced rates. A hotline would also make it easier for customers to contact their water boards. The water boards are assuming responsibility for water management. This assumption of responsibility combined with involvement of the private sector was considered to be of prime importance for the successful decentralization of the irrigation sector. The Egyptian Minister of Water Resources and Irrigation signed the PPP agreement. It was argued that district water boards were closer to customers and were therefore better placed to meet their needs. Furthermore, they were easier to contact when problems arose. The mobile phone company is motivated by the opportunity to become better known, particularly in rural areas, and acquire new customers there. It is argued that the public-private partnership ultimately benefits all involved (GTZ, 2007).

*Performance assessment:*

Information is not enough for an assessment. It does seem as if structures have been established and equipment has been distributed. If it can be confirmed that the water boards are functioning as intended, the project could be declared successful.

*Success factors identified:*

- All partners should be able to benefit;
- Public need exists;
- Supportive environment;
- Supportive public sector.

In the next section, specifically South African partnerships, from various sectors and at different scales, will be discussed.

## **6.8 SOUTH AFRICAN PARTNERSHIPS**

The focus of this dissertation is to identify critical success factors for PPPs in South Africa. In this section, various specifically South African PPP examples will be discussed.

### 6.8.1 Dealing with power blackouts in the Western Cape

Time period:	Focus Area / Sector:	Location / Setting:
2006	<i>Electricity supply crisis</i>	<i>Cape Town, Western Cape, South Africa</i>
Economic sector:	Partnership type:	Life cycle stage:
<i>Secondary</i>		
Scale:	Size:	
<i>Local</i>		

In 2006 South Africa staggered through a period of widespread and extended planned and unplanned power interruptions as a result of a sudden, also unplanned, reduction in generating capacity and increased demand. The main supplier of electrical power in South Africa is the parastatal Eskom, who supplies electricity either directly to mostly rural clients, or to municipalities such as the City of Cape Town, who in turn distributes power to its clients. A slight complication to this arrangement in Cape Town is that, due to historical reasons, Eskom also provides electricity directly to certain clients within the jurisdiction of the City and also provides, through the City, to a third category of client where Eskom has control over ripple load-shedding equipment on the City electrical grid. Over a period of several weeks, the situation developed from one where there was constant mud-slinging between the City and Eskom about who was causing which problems, through a process where both parties had to start communicating effectively between themselves and with their interwoven client bases, to a situation where they jointly published double-page spread advertisements in newspapers to inform the public of planned load shedding – an “integrated load shedding schedule” jointly compiled by the City of Cape Town and Eskom (Eskom and City of Cape Town, 2006). This partnership also required the active involvement of citizens who could reduce the chances of load-shedding by reducing their domestic energy consumption at critical times. Advertisements and indicators showing the extent of the crisis in the press and on radio and prime-time television encouraged public participation in energy demand management and energy efficiency (Eskom, 2007; Smith, 2007). Business also had a role to play as Eskom negotiated on a national level with industry to reduce their energy consumption at peak times and even requested whole industrial sectors, such as mines, to stop operations for critical periods.

*Performance assessment:*

The partnership can be seen as successful because demand for electricity was reduced, public awareness increased, and increased cooperation between agencies was achieved.

**6.8.2 Plettenberg Bay Aerodrome**

The Plettenberg Bay Aerodrome is a small airport in a tourist hot-spot on the Garden Route in South Africa.

Time period:	Focus Area / Sector:	Location / Setting:
20 – 40 years	Aviation industry	Plettenberg Bay, Western Cape, South Africa
Economic sector:	Partnership type:	Life cycle stage:
Tertiary	Lease agreement	Pre-project
Scale:	Size:	
Local		

In 2006 the Bitou Municipality, with its seat in Plettenberg Bay on the Cape Garden Route of South Africa, advertised a tender asking for submissions to enter into a public-private partnership over the Plettenberg Bay Aerodrome (Bitou Municipality, 2006).



By 27 March 2008, the municipality was indicating that after a dispute regarding the tender for the development and management of the aerodrome, it was in the process of appointing a transactional advisor. A dispute resolution hearing decided that the appointment of the advisor would serve the best interest of Bitou Municipality. In September 2010 a municipal official responsible for the aerodrome, which was at that stage still directly operated by the municipality, indicated that the municipality “had problems” with the PPP route, and have decided to rather lease the airport to a still-to-be-determined private entity on a 20 to 40 years lease agreement (Satula, 2010). The official indicated that the leasing opportunity would be advertised in due course. The lessee would need to upgrade the airport, extend the runway, and install a weather station as required by the Civil Aviation Authority. Regarding the attempt to establish a PPP, the official explained that there is unnecessary red tape in the process to establish a PPP, and that it would be more useful to reduce the red tape and speed up the process by going the route of the lease agreement (Satula, 2010).

*Performance assessment:*

In this case the PPP was not established and failed to move into the contracting phase. Although an initial contract was awarded, it was subsequently contested and overturned. The appointment of a transactional advisor was recommended by the Treasury and one could say that the municipality did not follow the correct procedures. The PPP idea seems to have floundered. However, it should be remembered that a lease agreement is also a form of PPP and that the route the municipality is now taking is still within the ambit of the SA National Treasury’s guidelines on municipal service delivery partnerships.

*Success factors identified:*

- Well-defined procurement process;
- Source expert advice in contracting phase.

### 6.8.3 The National Sea Rescue Institute

Time period:	Focus Area / Sector:	Location / Setting:
<i>1967 - present</i>	<i>In-shore sea rescue</i>	<i>South African coast</i>
Economic sector:	Partnership type:	Life cycle stage:
<i>Tertiary</i>	<i>Informal</i>	<i>Operating</i>
Scale:	Size:	
<i>National</i>	<i>R22.5 m / R230 m per annum</i> <i>920 unpaid volunteers</i> <i>30 coastal and three inland rescue bases</i> <i>72 rescue craft</i> <i>21 vehicles</i>	

The National Sea Rescue Institute (NSRI) is an unformalized PPP. It is a voluntary non-profit organization which depends on sponsorship, which it also receives from government, for its operating costs, but it has a government mandate for inshore rescue and it can be mobilized through government channels. The NSRI is run by 920 unpaid volunteers who are on standby day and night throughout the year. Donations and sponsorships cover annual running cost of R22.5 m. The volunteers save the NSRI a salary bill in excess of R230 m per annum (NSRI, 2010). There are 30 coastal and three inland rescue bases, a fleet of 72 rescue craft, 21 vehicles and access to a range of helicopters. The NSRI enjoys a good working relationship with other emergency services and “believe that it is through team effort that lives are saved” (NSRI, 2010).

The urgent need for a sea rescue organization in South Africa was highlighted in 1966 when 17 fishermen drowned after their trawler sank near Still Bay due to the lack of a rescue service. Following this incident, Miss Patti Price (whose own life had been saved by life boat rescue in the British Channel) began a committed letter-writing campaign to motivate the formation of a sea rescue organization. Captain Bob Deacon and Mr Ray Lant were the first volunteers to respond to this call. The National Sea Rescue Institute (NSRI) was established in 1967 when it acquired its first rescue craft – a 4.7m inflatable boat called Snoopy donated by the Society of Master Mariners (NSRI, 2010). The fact that the NSRI must constantly do fundraising is illustrated in its category of “Platinum Partners” for its biggest sponsors. Platinum membership is marketed as an exclusive opportunity to potential donors



and participation is limited to ten partners at any one time. Membership is described as a long term partnership and brand investment over 5 years (NSRI, 2010).

*Performance assessment:*

The NSRI is a successful organisation that provides a public service on a daily basis. It can be considered a successful partnership, although there seems to be limited involvement from the public partner. In 1967 and still today, a public need for an inshore sea rescue service exists, but is not satisfied by government. Rather, Government has given the NSRI a mandate and supports the NSRI through donations.

*Success factors:*

- A public need exists which was not satisfied by government;
- Stakeholder and community support and involvement;
- Goodwill;
- Commitment.

#### 6.8.4 Jewellery Manufacturing Hub in Cape Town

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
<i>2005</i>	<i>Jewellery Manufacture / Economic Development</i>	<i>Cape Town, Western Cape, South Africa</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>Secondary</i>	<i>Joint Venture; Lease agreement</i>	<i>Terminated</i>
<b>Scale:</b>	<b>Size:</b>	
<i>Local</i>	R18 m R425 m	

The information in this subsection is based on Bailey and Essop (2006), City of Cape Town (2005), Hartshorne (2010), Pietersen (2010), Powell (2005), and Powell and Kassiem (2006). The Jewellery City project, a joint venture between the Department of Minerals and Energy Affairs and the City of Cape Town, was announced in 2005 and would eventually cost R425 m. The Jewellery City would be part of a national beneficiation strategy by the Department of Minerals and Energy (references provided below). An entrepreneur, also acting as consultant for the Department of Minerals and Energy, approached the City with a proposal for the Jewellery City, a

CBD showcase of jewellery-making. The contract was awarded five days after the presentation to the City about the concept, and the entrepreneur was assigned to be project manager, receiving R4.2 million for the nine months he worked. The City Manager approved a contract for the second phase of the project on the day that his own contract was controversially extended for a year. The joint venture was awarded a 99-year lease on the Foreshore for the second Jewellery City site, opposite the Cape Town International Convention Centre. The other site would be at the Ebenezer Road depot in the V&A Waterfront, near the Clock Tower precinct. The second phase was put on ice after unsuccessful bidders complained that the tender process was irregular and allegations were made that the business plan was poached. The R18 million project never materialized. After an opposing coalition took over the city, an investigation found that several contracts, including that for the Jewellery City, had been improperly awarded. According to a mayoral committee member, the entrepreneur was paid without a contract in place, and the tender was never put out. The City cancelled the tender and handed the case to the police. The City brought a civil claim against the entrepreneur, and in 2008 the Western Cape High Court ordered him to repay R1.2 million or risk having his assets attached.

*Performance assessment:*

The partnership was established, but private partners were appointed based on contracts that were not legal. The purpose of the partnership has certainly not been met, but the partnership can still be revived with new private partners.

*Success factors identified:*

- Market research;
- Following due legal process;
- Transparency and accountability;
- Properly mandated representatives;
- Public political will;
- Appropriate partner selection.

### 6.8.5 World Cup Stadium in Cape Town

<b>Time period:</b>	<b>Focus Area / Sector:</b>	<b>Location / Setting:</b>
2006 - 2010	<i>Stadium Construction and Operation</i>	<i>Cape Town, South Africa</i>
<b>Economic sector:</b>	<b>Partnership type:</b>	<b>Life cycle stage:</b>
<i>Tertiary</i>		<i>Operating</i>
<b>Scale:</b>	<b>Size:</b>	

It is possible to describe the 2010 FIFA World Cup™ which was hosted in South Africa during June and July 2010 as a country-wide partnership. Public and private entities co-operated in many fields to make the tournament possible and to ensure its success. The construction of several new stadiums was one of the challenges that had to be met. Cape Town had to build one of these new stadiums. In 2006, with opposing political parties governing the City of Cape Town municipality and the Western Cape Province, it was mooted that a company that ‘would not be disturbed by political instability’ would be set up to establish the World Cup 2010 stadium at Green Point. The company, similar to Convento which managed the building of the Cape Town International Convention Centre, was to be ready in 2006. Representatives of national, provincial and local government, as well as the private sector, were to serve on the board of the company, known in government terms as a “special purpose vehicle’. The company would share the responsibilities and risks of the project, and would drive the process. The company was to be established in terms of the Provincial Finance Management Act. Western Cape premier Ebrahim Rasool announced at the time that the exact modelling would be discussed with the government and the city council (Essop, 2006; Herman & Kassiem, 2006). The proposed company was never established. Instead, a different PPP approach was followed in which the municipality took ownership of the project and appointed contractors. The financing of the project was under pressure by 2007 and at that time Investec (a private bank) guaranteed R185 million as surety for a contract to hire and operate the new Green Point Stadium after 2010 for 30 years. There was no guarantee that Investec would get the contract – part of the agreement with the City of Cape Town was that the contract would be awarded through a public tender process. The guarantee made it possible for building to proceed after it solved a

funding shortcoming that the City could not address (Van der Westhuizen, 2007:2). The stadium was completed in time for the tournament, but concerns exist regarding its future sustainability.

*Performance assessment:*

The stadium stands and therefore the goal of the partnership that was to be established has been achieved. However, the PPP never came into being. The first PPP from 2006 was thus never a PPP and cannot be evaluated. The guarantee by Investec sought to get construction underway to ensure the on-time completion of the stadium, and this succeeded. The second PPP can therefore be considered successful, although unconventional.

*Success factors identified:*

- Partners contribute according to their strengths;
- All proposed partners need to agree to establishment;
- Different types of risk are carried by the partner most suitable for it.

### 6.8.6 Biking and hiking trail on the Wild Coast

Time period:	Focus Area / Sector:	Location / Setting:
2006 – 2026	Conservation, Local economic development, Tourism	Wild Coast, Eastern Cape Province
Economic sector:	Partnership type:	Life cycle stage:
Tertiary	Concession	Operating
Scale:	Size:	
Local		

A tourist hiking and biking trail developed in the northern section of the Wild Coast in the Eastern Cape Province of South Africa provides an example of a partnership where external help was pulled in to make a partnership project work. In 2006 the trails were being developed by Drifters Safaris, which won a tender bidding process initiated by the Eastern Cape government. The trails had originated as a European Union-funded project that had “gone a bit foul” according to the operations manager of the contracting company.

*A lot of money went missing and people didn't really know how to make this thing work. So we were approached to bid for a new tender programme by the Eastern Cape government – the deal was, they wanted someone with professional ability to come in and actually make this thing work. (Yeld, 2006)*

The community had been disappointed on several occasions during the previous attempts at making the project work.

*...people just want something to work for a change – there have been so many promises made and so many broken (Yeld, 2006).*

The six 24-bed overnight sites fall within five tribal authority areas, where the local communities have become involved as partners through their respective development trusts. Each community will get a certain percentage of revenue, and there was confidence that the system would work quite well because of its simplicity.

The trails would be either guided or non-guided, depending on demand, and the local communities would also supply porters for hikers who prefer to walk less encumbered. Community members were employed as helpers, carriers and brick-layers to get operations going. It was believed that if the community saw the partnership operating, they would begin to believe that it could work.

Community involvement was solicited in ensuring safety, which was a major concern to potential tourists and holidaymakers wanting to visit Transkei, but scared off by some horror crime stories (Yeld, 2006). In a telephonic interview in September 2010, it was determined that 4 camps and one lodge have been built, that the hiking trail was in operation and receiving satisfactory bookings. Retallick (2010) indicated that the partnership was working well. Communities were involved in the partnership and received funds directly from the project into trust funds administered by committees established for this purpose within the respective communities. He indicated that the project failed previously with the EU, but that it was now on course and attracting business. He did express the need for the communities to realize that benefit will be

accruing to them over time. The concession from the Eastern Cape government is for 20 years.

*Performance assessment:*

The PPP is achieving its goals and is delivering a public service, therefore it can be considered to be successful at this stage.

*Success factors identified:*

- Benefit for partners;
- Experience in the service to be delivered;
- Stakeholder support;
- A market exists for the service being delivered.

This concludes the discussion in this chapter.

## **6.9 SUCCESS FACTORS IDENTIFIED IN THIS CHAPTER**

The success factors for PPPs identified in this chapter are:

1) Formal agreements are not necessarily required to make a partnership successful;
2) Common fear of an external threat can motivate parties to form partnerships and ensure that such partnerships work;
3) The need for a survival strategy can be an indicator for motivation to ensure success – a crisis ensures focused collaboration and increases the chance of success;
4) If a sector (either public or private) fails to provide a required service and the need still exists, PPPs are possible;
5) A market for a specific public service exists but is not satisfied by the existing public or private sector;
6) Local entrepreneurship;
7) Circumstances that force a collective response;
8) Clear purpose, roles and responsibilities;
9) Transparent decision-making processes;

10)	Collaborative innovation;
11)	Focus on high priority areas and clients (e.g. deprived areas for social programmes);
12)	Honest, sincere and respectful collaboration in meetings;
13)	Real collaboration;
14)	Financial control;
15)	Robust internal process to evaluate proposals;
16)	Transparency and peer review within partnership;
17)	Focus on innovation and improving the status quo;
18)	Willingness and ability to trust the partnership;
19)	Participation in rule-setting;
20)	Transparency in financial management;
21)	Joint control of partnership funds;
22)	Openness and communication;
23)	Conflict management;
24)	Understanding the value of clients' perspectives;
25)	Equality within the partnership;
26)	Joint decision-making;
27)	Joint prioritization of spending;
28)	Purposeful collaboration;
29)	Commitment to partnership goals;
30)	Positive attitudes;
31)	Established, respected processes;
32)	Seed funding;
33)	Customer service focus;
34)	Flexibility to exploit opportunities;
35)	Each partner to contribute according to its own strengths;
36)	Incentives for partners;
37)	A market or demand exists for the service;
38)	Availability of financing;
39)	Satisfying a public necessity - modern cities require modern transport structure;

40)	The project is a priority within a strategic plan;
41)	Right service at the right place at the right time;
42)	Sufficient public users of the service (market);
43)	Satisfying context specific legal requirements, such as BEE In South Africa;
44)	Active public sector involvement;
45)	High-level political leadership / champion;
46)	Available potential partners with the capacity to participate;
47)	Comprehensive preparations for programme conceptualization;
48)	A public need must exist;
49)	All partners should be able to benefit;
50)	Public need exists;
51)	Supportive environment;
52)	Supportive public sector;
53)	Well-defined procurement process;
54)	Source expert advice in contracting phase;
55)	A public need exists which was not satisfied by government;
56)	Stakeholder and community support and involvement;
57)	Goodwill;
58)	Commitment;
59)	Market research;
60)	Following due legal process;
61)	Transparency and accountability;
62)	Properly mandated representatives;
63)	Public political will;
64)	Appropriate partner selection;
65)	Partners contribute according to their strengths;
66)	All proposed partners need to agree to establishment;
67)	Different types of risk are carried by the partner most suitable for it.
68)	Benefit for partners;
69)	Experience in the service to be delivered;
70)	Stakeholder support;
71)	A market exists for the service being delivered ;



The list of success factors provided above can be synthesized into a shorter, consolidated collection through the removal of duplicates, the combination of similar ideas, and the reformulation of ideas.

### **6.9.1 Consolidated success factors from this chapter**

The consolidated list of success factors from this chapter is shown in Annexure C.

## **6.10 FURTHER DISTILLATION OF SUCCESS FACTORS**

This list of success factors now need to be compared and integrated with the success factors identified in the previous chapter. The list of factors from the previous chapter is shown in Annexure C and will be followed by a combined and integrated list compiled through a process of synthesis. In the next sub-section, the list from Chapter 5 will be synthesised with the list of factors identified in this chapter to create a single integrated list of success factors.

### **6.10.1 Integrated list of success factors**

The consolidated list of success factors, produced by combining the success factors identified in this chapter with the consolidated list created in the previous chapter, is shown in Annexure C. This consolidated and integrated list represents all the success factors identified up to this point. This list will be used at the end of the next chapter, where it will be combined with success factors identified in the next chapter.

## **6.11 CHAPTER SUMMARY**

This chapter has been concerned with the analysis of partnership examples to determine their success or failure. In this process, the selection of examples was motivated by pointing out the various characterizations according to which partnerships can be described and grouped together, and by arguing that a wide variety of partnerships would need to be evaluated. The depth of evaluation required was also discussed and it was proposed that a basic face-value assessment could be a valuable addition to the detailed type of evaluation proposed in the previous chapter which requires the availability of considerably detailed information on each evaluated partnership. Minimum requirements for evaluation were suggested and

the ability to extract success factors from case studies, even from unevaluable case studies, was demonstrated. Subsequently, several partnership examples were described and the success of the partnerships was measured if the example was measurable. The types of partnerships evaluated include local, international, sectoral and South African examples.

As in previous chapters, success factors were identified throughout this chapter and presented at the end of the chapter, after which these factors were consolidated and then combined with those from previous chapters through synthesis. In the next chapter the latest consolidated list of success factors will be compared with opinions from questionnaires to further develop the collection of success factors.

1	2	3	4	5	6	<b>7</b>	8
<b>SUCCESS AND FAILURE: SEARCHING FOR A PATTERN</b>							

Chapter 1: INTRODUCTION
Chapter 2: PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW
Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT
Chapter 4: CRITICAL SUCCESS FACTORS Perspective 1: Collecting opinions and evidence from literature
Chapter 5: EVALUATING PUBLIC-PRIVATE PARTNERSHIPS Perspective 2: Interrogating definitions and opinions of success to establish success measurement instruments
Chapter 6: EXAMPLES AND THEIR SUCCESS OR FAILURE Perspective 3: Analysing case studies using measurement instruments from the previous chapter
<b>Chapter 7: SUCCESS AND FAILURE: SEARCHING FOR A PATTERN Comparing the evidence from different perspectives</b>
Chapter 8: SUMMARY AND CONCLUSION: KEY ASPECTS OF SUCCESSFUL PARTNERSHIPS Synthesis: Evaluating the evidence
9.: ABBREVIATIONS AND ACRONYMS
10.: REFERENCE LIST
11. Annexure A: PPP ENABLERS PER COUNTRY
12. Annexure B: QUESTIONNAIRE TABLES

## **7 SUCCESS AND FAILURE: SEARCHING FOR A PATTERN**

### **7.1 INTRODUCTION**

In the previous chapter, Chapter 6, the characteristics and performance of a wide variety of partnerships were compared in order to identify patterns in their success or failure that could further illuminate the search for critical success factors for PPPs. The PPP performance evaluation instrument designed through a process that commenced in Chapter 2 and 3 was conceptualized at the conclusion of Chapter 4, and was available to evaluate case studies within Chapter 6. Success factors that could be identified in the case studies discussed in Chapter 6 were isolated throughout the chapter and were collected at the end of the chapter, where they were compared with success factors that have been generated through a distillation process that began in Chapter 1 and was continued at the conclusion of each chapter as new possible success factors were identified. It is generally accepted that it is possible to learn from mistakes and it would therefore make sense to pay close attention to mistakes made in the use of PPPs as service delivery mechanisms. In this chapter, a final filter will be applied to the PPP success factors that were progressively generated and refined through a process of distillation that commenced in Chapter 1. Opinions about the success and failure of partnerships, collected from targeted respondents through interviews and questionnaires, will first be presented and then used as a purification instrument to reduce and strengthen the success factors formulated at the conclusion of Chapter 6.

### **7.2 QUESTIONNAIRES**

Two different questionnaires were used to collect information for this chapter. The questionnaires and their results will be described in this section. The first questionnaire was quantitative and was distributed to incident management partnership workshop participants in the Western Cape during the first half of 2008 and will be described in the next subsection. The second questionnaire was a targeted e-mail questionnaire with a qualitative interview nature which will be described in the subsequent subsection.

### **7.2.1 Disaster Preparedness, Response and Relief Stakeholders**

Disaster management and response routinely involves a variety of emergency, essential and social services that have to work closely together to effectively deal with the problems they face. Disaster Management stakeholders are therefore expected to understand the need for partnerships and would have an opinion of partnerships built on personal experience. During 2008, within a research project aimed at promoting inter-discipline cooperation and collaboration in disaster management and identifying critical success factors for Disaster Management partnerships, an opportunity arose to administer an in-depth questionnaire to participants in a series of provincial Disaster Management workshops in the Western Cape. With considerable background and experience in Disaster Management and as a consultant in Disaster Management, the researcher was well-placed to ensure total alignment between the goals of the research project on disaster management partnerships and this dissertation, both of which aimed to identify critical success factors for partnerships between public and private roleplayers.

The questionnaires were distributed to participants at the start of each workshop and they were requested to feel free to give their opinions about Disaster Management and Incident Management partnerships. Respondents were informed that the results of the questionnaire would be used for two purposes: firstly to identify current perceptions of collaboration for the purpose of the research project on disaster management partnerships, and secondly to collect opinions that would inform this dissertation. It was agreed that anonymity would be maintained and that respondent did not have to complete the questionnaire if they were hesitant to do so. The voluntary completion of the questionnaires and a complete disclosure of the purpose of the questionnaire were regarded as central to the administering of the questionnaire. Although more specifically focused on disaster management partnerships, the questionnaire would still produce valuable insight into partnerships in general and provide an additional layer of success factors to add to the other layers being accumulated in this dissertation.

The workshops with Disaster Management stakeholders also aimed to define generic disaster response and relief activities on behalf of the Western Cape Disaster


Management Centre. The number of possible role players identified for just response and relief for major incidents and disasters occurring within the Western Cape Province were 121. Where responsibility is broken down into smaller units across the province, additional role-players become involved and there is an exponential increase in complexity. The questionnaire was presented to 64 workshop delegates asking them what they thought makes for successful and failed partnerships in disaster response. The following introductory paragraph was provided on the questionnaire:

*Major incidents and disasters bring many different role-players together who are responding to an impact and who need to manage the consequences and requirements of the situation in partnership with each other.*

The following questions were asked in the questionnaire:

- 1) In your personal opinion and experience, what should be done for this partnership to be successful?
- 2) What should be avoided to ensure successful incident management partnerships?
- 3) What are the critical success factors for incident management partnerships?

The third question was the most important, and the two questions before were intended only to familiarize the respondent with the topic so that more meaningful responses could be expected on Question 3. The questionnaire was consciously presented in a free-text format instead of a multiple-choice format. The reason for this was that the researcher did not want to exert any influence on the respondents which could influence their thinking on categories of success factors. Due to the free-form format of the questionnaire, the researcher had to discover patterns in the answers in order to create some form of prioritization for success factors. Through a process of combining answers with similar topics, the researcher discovered 22 unique categories of success factors. The next step was to count the number of answers referring to each category.



Provincial Government of the Western Cape  
Directorate Disaster Management and Fire Brigade Services


**QUESTIONNAIRE**

Major incidents and disasters bring many different role-players together who are responding to an impact and who need to manage the consequences and requirements of the situation in partnership with each other.

1. In your personal opinion and experience, what should be done for this partnership to be successful?

2. What should be avoided to ensure successful incident management partnerships?

3. What are the critical success factors for incident management partnerships?




**Figure 7.1: Questionnaire administered to workshop participants**

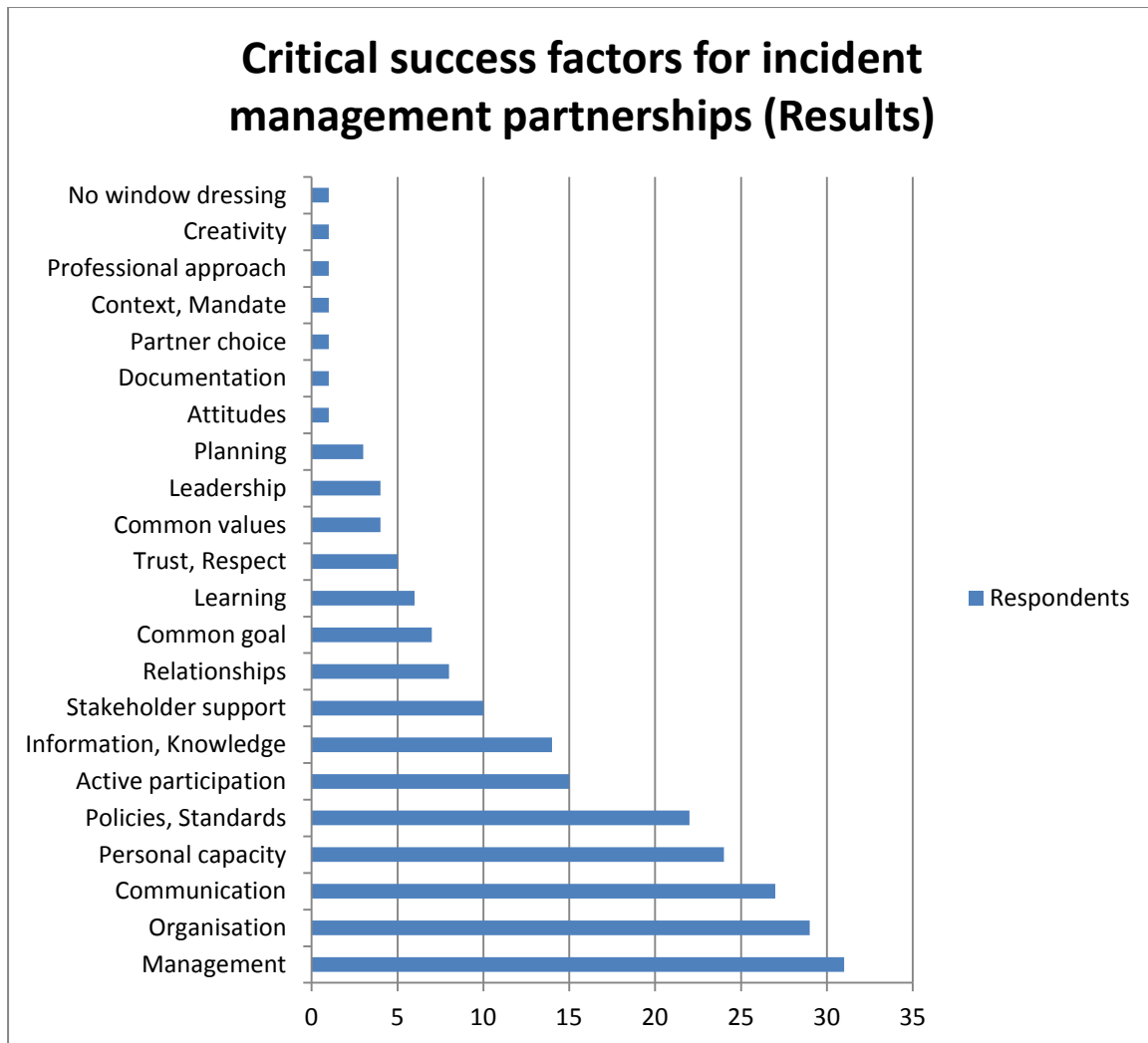
The categories into which answers could be grouped are indicated below, with the number of respondents who referred to each category indicated in brackets after the category name. The categories are presented in descending order of priority. The following factors were identified by delegates:

- 1) Management (31)
- 2) Organization (29)
- 3) Communication (27)
- 4) Personal Capacity (24)
- 5) Policies, standards (22)
- 6) Active participation (15)
- 7) Information and knowledge (14)
- 8) Stakeholder support (10)
- 9) Relationships (8)
- 10) Common goal (7)
- 11) Learning (6)
- 12) Trust and respect (5)
- 13) Common values (4)

- 14)Leadership (4)
- 15)Planning (3)
- 16)Attitudes (1)
- 17)Documentation (1)
- 18)Partner choice (1)
- 19)Context and mandate (1)
- 20)Professional approach (1)
- 21)Creativity (1)
- 22)No window dressing (1)

This list of categories can be regarded as key performance areas for incident management partnerships. It would be possible to transfer these performance areas to the wider partnership field to test their applicability. The figure below presents the results of the questionnaire in graphic format.





**Figure 7.2: Results of Questionnaire 1**

The results of the questionnaire suggest that participants consider five performance areas especially important in incident management partnerships. Of the five, the first three are closely related to each other and have a governance focus, while the fourth (personal capacity) relates more to the skills, training and experience of individuals. The fifth performance area communicates the importance for common formalized rules that govern interaction in the partnership.

### **7.3 TARGETED E-MAIL QUESTIONNAIRE**

The second questionnaire that was used in this dissertation was targeted at specific persons with previous experience of partnerships and can be considered as qualitative expert interviews due to the methodology used.

The questionnaire contained the questions as indicated in the box below:

**Question 1:**

In your experience, what is the success rate of public-private partnerships? .

*Choose between:*

- 1) Total failure
- 2) Dismal
- 3) Poor
- 4) Negative
- 5) Positive
- 6) Encouraging
- 7) Very Good
- 8) Excellent

**Question 2:**

In your opinion, what are the most frequent mistakes made in public-private partnerships?

**Question 3:**

In your opinion, what distinguishes successful partnerships from failed partnerships?

**Question 4:**

Please name as many examples as you can of successful and failed public-private partnerships:

*Successful Partnerships:*

*Failed Partnerships:*

**Question 5:**

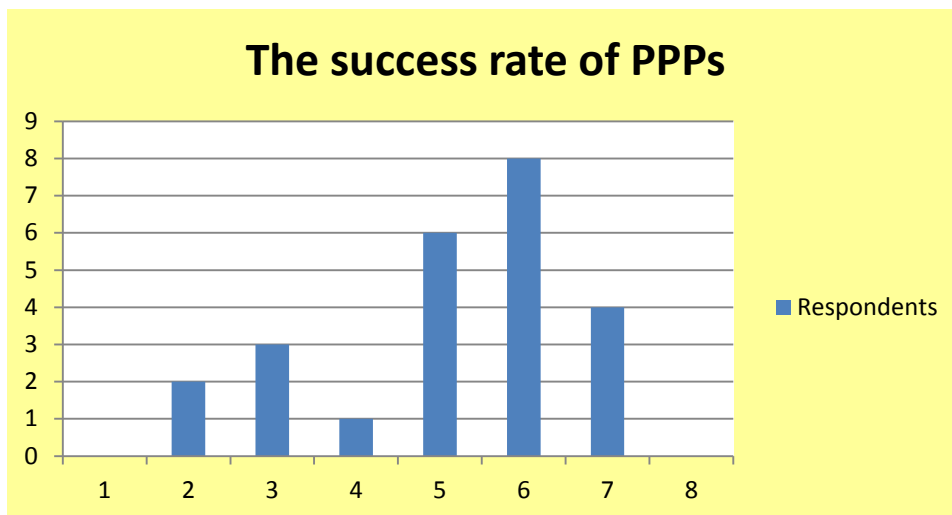
In what year or in which 5-year period did you first encounter the term “Public-Private Partnership”?

**Box 1: The content of the targeted e-mail questionnaire**

The number of respondents that completed the questionnaire was 34. The sample includes considerable variety in terms of location and experience as can be seen in the respondent details which are included in Annexure B.

### 7.3.1 Question 1

Question 1 requested respondents to provide a rating of PPP success in general by choosing one of eight possible values. The responses to Question 1 are indicated in the chart below. The majority of respondents found the general performance of PPPs to be “encouraging”, while the second most popular rating was “positive”. “Very good” was the third most popular rating.



**Figure 7.3: The success rate of PPPs**

The sample of respondents thus had a predominantly positive perception of PPP experience.

### 7.3.2 Question 2

In this question, respondents were requested to provide an opinion on the most frequent mistakes made in public-private partnerships.

#### 7.3.2.1 Question 2: Most frequent mistakes

The responses received on Question 2 were obviously negative and can be seen in their original form in the response table in Annexure B. As a first step in data processing, all the responses were listed below each other and similar answers were grouped together. A collective title was then developed for the groups of mistakes that formed natural clusters. The clusters and their collective titles are presented below:

1. Mistakes made regarding the mutual understanding of the other partner's functions and limitations, position and problems:
  - 1.1 No clear understanding of the different kinds of interests among the participating partners;
  - 1.2 Insufficient time and effort invested for both the parties involved to jointly explore and assess their respective interests, goals, ways of working, expectations and (importantly) acceptable timeframes;
  - 1.3 No proper explanation of what is required on both sides;
  - 1.4 No proper guarantees of what exactly each part of the relationship will bring to the project;
  - 1.5 No prior agreement on clear roles and responsibilities;

- 1.6 Roles and responsibilities of parties not comprehensive enough and not clearly defined;
  - 1.7 No clear statement of the roles and responsibilities of each partner;
  - 1.8 The public partner does not understand the workings or motivations of its private counterpart;
  - 1.9 Lack of understanding between public and private partners;
  - 1.10 Lack of experience in business practice by the public sector side (local government or even big ministries) so that the public side negotiates bad deals for the public, and the private sector does (too) well out of it. In UK health and education sector PPPs, there have been enormous cost overruns and often the PPP project cost more than the public sector infrastructure would have;
2. Inappropriate use of human resources:
    - 2.1 Allowing inexperienced/unqualified persons to be involved at an important level;
    - 2.2 Junior officials from the public sector with limited jurisdiction are sent to meetings, hampering decision-making and wasting time;
    - 2.3 The best and most experienced officials are not used to participate in the partnership (or to represent the government department in negotiations) because they do not represent the "right" demographic profile;
    - 2.4 Not having a core of people on both sides that remain consistent throughout the project;
    - 2.5 The head of the programme or project is not skilled or dynamic enough to further develop and ensure sustainability;
3. Inappropriate performance management:
    - 3.1 Failure to meet deadlines;
    - 3.2 Specific parameters and criteria for measuring success of the programme are seldom included in the contract;
    - 3.3 No set deadlines for critical delivery items;
4. Lack of communication:
    - 4.1 Lack of sustained communication between parties;
    - 4.2 Both parties not being honest/frank regarding negative issues encountered;
    - 4.3 Sharing of information is a problem. Proper consultation about processes is lacking. Representivity is not based on true leadership from within the affected geographical boundaries;
    - 4.4 Poor marketing strategies;
5. Unrealistic expectations;
6. Not maintaining the partnership:
    - 6.1 Setting up the partnership and then doing nothing to maintain it;
    - 6.2 Not continuing the process;
    - 6.3 Losing focus;
7. Inappropriate goal setting:
    - 7.1 Not setting up common goals;
    - 7.2 Establishing unattainable goals;

- 7.3 No SMART goals defined;
  - 7.4 Not setting up common goals;
  - 7.5 No focus or common objective (something to accomplish);
  - 7.6 Different goals - expecting the partner to have the same goal;
8. Not maintaining continuity / too much focus on individuals:
- 8.1 New people in charge are not aware of the details of the partnership;
  - 8.2 Partnerships are between individuals rather than organizations (so when one person leaves, the partnership falters);
  - 8.3 Not having a core of people on both sides that remains consistent throughout the project;
9. Inappropriate time management:
- 9.1 Partnerships are not given enough time to develop and evolve;
  - 9.2 Failure to clearly define time horizons;
  - 9.3 Not investing sufficient time and effort for both parties involved to jointly explore and assess their respective interests, goals, ways of working, expectations and (importantly) acceptable timeframes;
10. Inappropriate partner selection:
- 10.1 Assuming the partnership has to be with a for-profit corporation;
  - 10.2 Not investing sufficient time and effort for both parties involved to jointly explore and assess their respective interests, goals, ways of working, expectations and (importantly) acceptable timeframes;
11. Not managing public expectations or providing information to the public:
- 11.1 Public not adequately trained/informed by PPP, leading to distrust among members of the public;
  - 11.2 Public not given continual feedback and further education/information, which may lead to breach of contract;
  - 11.3 Public misunderstands partnerships;
12. Personal gain focus of persons in public sector:
- 12.1 Public representatives often want personal gain, leading to distrust in private sector;
  - 12.2 Decisions based on individual interests, not on a sustainable "common objective";
  - 12.3 Often enough there is straightforward collusion and corruption between government officials and the private company. In the UK, there has been, for example, the "rotating door" between top Ministry of Defence officials responsible for procurement and the big arms manufacturers;
13. Vulnerability to political pressure not addressed;
14. Motivation:
- 14.1 No broad sense of urgency;
  - 14.2 No real buy-in from public sector officials;
  - 14.3 All parties being more interested in high profile post-disaster work than in forgotten emergencies or disaster risk reduction;

- 14.4 Misunderstanding / underestimating the time and resources commitment to make a partnership successful;
15. Not addressing vulnerability to changing financial conditions;
16. Insufficient resources (material, human or financial);
17. Not addressing vulnerability to corruption and nepotism;
18. Insufficient financial planning / awareness:
  - 18.1 Failure to pay the full costs of the project -- usually indirect costs are underestimated and corporate, general and administrative, indirect or core costs such as fund raising costs are ignored or limited;
  - 18.2 Projections made use dubious calculations;
  - 18.3 Failure to identify the benefits and costs associated with networking and local logistics support that is frequently provided to projects by local NGOs;
  - 18.4 Small, local NGOs have no knowledge of their real cost(s) structure, nor reasonable and customary ways to identify and recover these costs (This observation is based specifically on 30+ years of experience of my own environmental NGO providing various forms of technical assistance and training for the management of small NGOs);
  - 18.5 Both government departments and private sector participants are too ready to bend the rules (explicit or implicit) of good financial governance;
  - 18.6 Insufficient funding
  - 18.7 The underlying - but deeply buried and even denied - motivation from the public side that its aim is not so much cost savings, but cost deferrals, i.e. the government getting into the deal is in effect getting an expensive capital loan from the private sector which will be paid back by later generations of tax payers, or at least, after the next election! "Cut taxes now, and let your kids pay for the hospitals, roads, schools, sewers, etc. etc.!"
19. No clear organizational structure with clear responsibility lines within the PPP;
20. Insufficient business case research:
  - 20.1 There is no business case made at the start of the PPP project to clarify costs, return on investment and critical success factors;
  - 20.2 Public partners do not understand the core business and business plan;
  - 20.3 A private partner jumping into something because it's a "good cause", despite not fully understanding the intricacies of the project, or getting involved because they perceive some "commercial" benefit or benefit of visibility;
  - 20.4 An uncritical assumption that the private sector is more efficient than the public sector (sometimes true, sometimes not, but most PPPs don't even question it);
  - 20.5 Opportunistic by nature, not enough research to develop excellence;
21. Insufficient risk management – not well organized:
  - 21.1 Lack of insurance against non-performance of other partner (true for both private and public partners);
22. Failure to specify:

- 22.1 success measures;
- 22.2 the required evolution of the relationships;
- 22.3 the various timeframes of a partnership;

23. Failures of public sector:

- 23.1 to understand that private (local, national or small) organizations need to retain their own vision and mission, even if they accept a relatively large PPP grant;
- 23.2 to protect the private partners and partnership commitments from shifts in priorities and public perceptions;
- 23.3 Policies change every time a new political head is appointed, making long-term planning very difficult (e.g. aid for development may depend on incumbent US President);
- 23.4 Officials ignore any information that they do not understand or do not have the courage to defend in front of their bosses. Important aspects of the project are then planned sub-optimally, while senior officials are unaware or ignore what they don't want to hear;
- 23.5 The public officials are incapable of taking responsibility;
- 23.6 The public side, especially researchers, are not willing to make the effort to communicate to the private sector on the private sector's terms;
- 23.7 Political interference and officials interfering in projects and trying to gain personal profit;

24. Failures of the private sector:

- 24.1 The private sector may be too impatient for results and publicity and may have a short attention span;
- 24.2 They may not fully embrace corporate responsibility by making some work, including research, proprietary;

25. Legal environment:

- 25.1 Conflict between the legal mandate of the government departments (by law) and how policy is interpreted (a mismatch between legal mandate and implementation policies);

26. The tender process is cumbersome and wastes huge amounts of time;

27. Financial irregularities keep on occurring despite cumbersome tender processes;

28. Insufficient leadership;

29. The "power imbalances" are not levelled out at the beginning and therefore uneven expectations or indicators of success continue until the enterprise founders;

30. Insufficient resource planning:

- 30.1 The almost universal expectation that the resources will come from the "private side" of the partnership;
- 30.2 Bargaining on promised funding (without having plan B and C in place);
- 30.3 Lack of resources available;

31. Over-commitment and under-delivery on one or both sides;
32. No true risk sharing;
33. Flawed design, one / more missing element;
34. Inappropriate leadership in partnership;
35. Inappropriate trust between / among the leaders (forgiveness for inappropriate statements meant for their “base”);
36. Insufficient commitment and an unwillingness or inability to suffer inevitable setbacks that may happen along the way;
37. Not knowing when to end a positive relationship:
  - 37.1 Sometimes partnerships form almost spontaneously, e.g. during a disaster event, and it is clear that the synergy is greater than the sum of the parts. But once the event is over, and the particular cause or need has dissipated, some partnerships try to find ways to continue and the essence of what made them special can be lost. Some partnerships are destined to be short, and better left that way;
38. Expectation that resources will be provided by public entities;
39. Instant gratification is the aim – sustainability is therefore rare;
40. No training is perceived to be necessary;
41. The time factor: The public sector works / decides more slowly;
42. Bureaucracy: The public sector is inherently inflexible or unable to improvise;
43. Expectations: The public sector objectives are wide and the targets too large;
44. Not enough training to imitate a unique idea and thereby increase the status of partnership.

An interesting response from one of the respondents can be mentioned here:

*Some of the failures noted above are mirrored in conditions when a private mega-NGO works with a small, local or national public authority. In the small island states and dependencies of the Caribbean and South Pacific, there have been many examples of unsuccessful projects of this nature, which are often more accurately described as public-private-public partnerships in which bi-lateral or inter-governmental programmes and organizations team with mega-NGOs to inflict the latest development fad on local governments or agencies.*

The further processing of the responses to question 2 will be discussed in the next section.

### **7.3.3 Question 3**

In this question respondents were asked to voice their opinions on what distinguishes successful partnerships from failed partnerships. This question was purposefully almost the direct opposite of Question 2. Respondents were answering almost



exactly the same question, but had to think in a positive manner as opposed to the negative manner used in the previous question. The intention with the converse repetition was to provide the maximum opportunity for respondents to relate their negative and positive experiences of PPPs. The purpose of this question was also to find out how people recognize successful partnerships, or which characteristics of a partnership can be seen as indicators of success. The results of the question are provided in the questionnaire response table in Annexure B. As a first step in processing the results from Question 3, all the results were considered and then clustered according to themes or clusters that emerged during the analysis. The clusters that were determined, each with a summarizing title, are presented below.

1. Mutual benefit: Successful partnership should present a win-win-situation, so all parties must benefit or the partnership has failed. All parties are to recognize and accept that the only successful course is to build a middle road that does not fully subscribe to any one party's wishes or needs. This takes time and investments in time;
2. Mutual understanding: Of mission, goals and objectives;
3. Common goals: A clear and commonly held statement of purpose is an essential starting point. This also needs subsequent and serious, sustained commitment. Set goals and objectives that are agreed to by all, well-aligned and mutually beneficial. The objectives of both sides are clear and transparent to both sides and the partnership is based on finding a balance between both sides' objectives. There must be a common shared purpose and goal, with the time and investment to pursue these;
4. Communication: Ongoing sharing of information among all involved as project progresses; Regular communication on progress; Constant flow of information between all parties in the partnership (regular feed-back meetings); Regular feed-back between partners; Short communication lines; One point of entry into parties involved in the partnership; Continually showing benefit to community and to elders as project progresses and give credit to them; Failures stem from opportunism and a lack of popularity; Do not underestimate the ignorance amongst the masses;
5. Joint activities;
6. Flexibility: The partnership must adapt to changes in the community. Quick interventions may be necessary to ensure positive outcomes;
7. Motivation: Buy-in from all parts of the organizations is needed, from the leadership to the grassroots.
8. Ethical conduct: Public / community leaders who want personal gain should be exposed. Greed in the private sector may be problematic;
9. Relationship of trust: Developing a very good relation / trust with the chief and elders of the area is important, even if they are represented by another elected body;
10. Continuity;
11. Training and education: The ongoing education of all involved is needed;

12. Legislative framework: The laws and administration necessary to organize the partnership must be in place and of good quality;
13. Planning: A practical business plan is needed; proper planning prevents poor performance; Do not build on unproven assumptions: "obvious" solutions often prove to be impractical;
14. Enhanced service delivery to communities: Quality and reliable services / products are imperative;
15. Partner selection: Private partners' sustainability, ability of companies to really deliver;
16. Size and knowledge of both partners: Both elements are usually needed because it takes an excess of certain resources to develop a partnership with the attention and care that it needs. Because partnership design is really complicated, it is too often delegated to junior staff without the prerequisite experience;
17. Human resource needs: Stable personnel over the course of the partnership; Committed individuals in each institution involved; Much of the success comes down to personal relationships, people who are willing to make things happen and look for reasons to continue, rather than seeking excuses to complain; Committed people on both sides who want to make the partnership work; The quality (knowledge, experience and commitment) of the main drivers of the particular project; It comes down to the people in charge - who make the difference; Staff exchange - both ways - private and public; Much better preparation by (and training for) the public officials who will be involved; The reliability and trustworthiness of the people nominated to the partnership, with clear mandates and service boundaries, ensure success; Appropriate personality traits: patience, persistence, and a sense of humour; Ability of staff to grasp and understand the goals and objectives;
18. Focus on outcomes: Good research and communication on what the outcomes should be;
19. Financial control and discipline: Cost effectiveness;
20. Leadership: Leaders willing to take the lead and responsibility;
21. Management: Adherence to deadlines; Focus on small steps with clear deliverables; Implement / follow through on checks and controls required;
22. Financial backing: Adequate funding;
23. Stakeholder management: Sufficient understanding by decision makers in government;
24. Selling your plan: Using the correct strategy;
25. Performance measuring: Successfully accomplished measurable objectives (short or long term); Focus on small steps with clear deliverables; Sustained monitoring of the process/project;
26. Post-project survival: Sustainable relationships; project / objective accomplished; but the PPP continues to operate; It becomes institutionalized / a regular part of day to day business;
27. Clearly defined unsatisfied need for a product or a service: Realistic assessment (commonly shared) of the need for which the partnership is to be formed;
28. Customer satisfaction: The community (or other beneficiary) of the partnership activity must perceive that they are being served by the partnership;
29. Commitment: Commitment to time and other resources required to successfully accomplish tasks; Total commitment to achieving goals; A medium-term

- commitment (2-5 years), but always thinking towards the long-term while seeking short-term, small-step successes and completed initiatives;
30. Organization: Small, not big; highly focused;
  31. Customer focus: Continually showing benefit to community elders as project progresses and give credit to them. Elected or non-elected public officials who have compassion for the poor; Public benefit is above private benefit; Community involvement; Community participation in the PPP, or, in private sector management language: customer interaction and involvement in product development.

Additional processing of the responses to Questions 2 and 3 will be discussed in the next section.

#### 7.3.4 Question 4

In this question, respondents were asked to list as many examples as they could of successful and failed PPPs. The responses received are presented below. It should be noted that the respondents answered these question from the perspectives of their own primary interests and the responses can therefore contain references to specific industries or disciplines in which partnerships are used.

##### 7.3.4.1 Question 4A: Examples of Successful Partnerships

Respondents listed the following examples of successful partnerships:

1. Weather service and DRM (Disaster Risk Management);
2. Relief NGOs;
3. Golden Arrow bus service and DRM/CoCT (City of Cape Town);
4. Trauma counselling and DRM/COCT;
5. CEDIM/cedim AG; (the one I am involved in) – sorry, I don't have much knowledge about others, so I am not of great help here;
6. Chile has the private and public sectors doing their DR testing for a week every year;
7. Nassau LI Community does joint testing;
8. Police in NYC are setting up partnerships and have a web set up for sharing information;
9. The biggest example in the US is called Project Impact, a FEMA (Federal Emergency Management Agency) funded programme developed in the late 1990s and later cut by the Bush Administration. Some communities, like Seattle, Washington, still have a Project Impact programme and are vocal proponents. This project provided funding to encourage, among other things, public-private partnerships;
10. Hurricane Expositions: This is a relatively new phenomenon in the US. They can include convention hall exhibits of disaster resistant products, like storm shutters and windows, building supplies/techniques, as well as information on government

programmes and services and emergency preparedness. They can also be smaller events in the parking lot of a building supply/hardware store like Home Depot (maybe like MICA in SA) where do-it-yourselfers and local construction workers can get information on how to do disaster reduction projects (while the store can get their business). At the beginning of hurricane season, nearly all these types of stores in coastal areas offer package deals for hurricane emergency preparedness kits (with batteries, radios, flashlights, tarps) where the store benefits and the public is better prepared;

11. Battle to find them, I know of failures;
12. Religious house ceremonies;
13. Greenery planned partnerships;
14. School teachers' activities for the poor;
15. DWAF agreements with irrigation boards / water user associations;
16. Beer companies and cricket teams;
17. Beer companies and rugby teams;
18. Beer companies and soccer teams;
19. Barcelona has many successful projects;
20. The PPS between the safety region Rotterdam-Rijnmond and the Rotterdam Port Authority about organizing port security;
21. The PPS between the safety region Zuid-Holland Zuid and the water company Evides about organizing the vital infrastructure to provide drinking water;
22. The PPS about organizing risk communication between the safety region Rotterdam-Rijnmond and different companies and governmental bodies about the Year of Transport, 2009;
23. The PPS about cell broadcasting between Telecom providers such as KPN, Vodafone en Telfort, and the Ministries of Verkeer en Waterstaat, VWS, BZK en Economische Zaken;
24. M7 Westlink, Sydney;
25. Can't think of any that were really unqualified successes;
26. City Improvement Districts in Cape Town;
27. Marketing of 107 PECC Cape Town;
28. Toll Routes in SA;
29. Payment of City of Cape Town rates accounts at Pick 'n Pay;
30. Purchasing of pre-paid power at private outlets in Cape Town;
31. Not engaged in any partnerships in the past;
32. Examples of corporate responsibility for disaster risk reduction research are provided, but judging them as "successes" or "failures" is unfair. All projects have some successes and some failures;
33. John Twigg's study at [http://www.benfieldhrc.org/disaster\\_studies/csr/csr\\_index.htm](http://www.benfieldhrc.org/disaster_studies/csr/csr_index.htm);
34. An overwhelming amount of material related to private insurance. I attach some samples, but I have much more, plus I mentioned my PhD already (<http://www.ilankelman.org/phd.html>). While the topic covered by some of this material is not necessarily corporate responsibility or PPP, parts of the content are directly applicable to both these topics, even where it needs to be interpreted as such;
35. ProVention (<http://www.proventionconsortium.org/?pageid=32&projectid=12>);
36. Utah (<http://www.amazon.com/Extending-helping-hand-responsibility-contribution/dp/B000EXDVUE>);

37. Nokia (<http://www.nokia.com/A4946176>), and hundreds of other companies with similar pages;
38. Willis Research Network (<http://www.willisresearchnetwork.com>);
39. Linking insurance and science ([http://www.actuaries.org.uk/\\_data/assets/pdf\\_file/0009/26685/tsunami.pdf](http://www.actuaries.org.uk/_data/assets/pdf_file/0009/26685/tsunami.pdf), project now finished);
40. "Business continuity", "micro-insurance", and "micro-finance" are other examples of keywords where numerous publications, projects, initiatives, and ideas exist for disaster risk reduction. There are so many and they are so easy to find, that I do not provide any specifics;
41. Project Impact - in some of the localities where it was adopted (e.g. Seattle);
42. Probably some of the commitments during or post-Tsunami, but most all of them were related to provision of emergency goods and services. Ericsson Communications has subsequently expanded its roles and outlooks. Also TNT, DHL and similar logistics on demand programmes for international emergencies may qualify as successes;
43. Production of Natural Disaster management and Know Risk books by Tudor Rose Publishers, but pointedly NOT successive efforts to build on that for shared PPP involvement in upgrading and production of public awareness materials (on 2 occasions, with 2 different UN agencies);
44. Probably the pharmaceutical industry vaccine programme with the UN (don't know the name of it);
45. Koeberg Emergency plan - despite many active role players and constant changes, the plan works;
46. Study Buddy programme with Koeberg and the Atlantis schools;
47. Developing of women in Atlantis via Red Door organization;
48. Mostar bridge;
49. Alcan International Sustainability Award;
50. World Economic Forum Water Initiative;
51. Bambanani, Community Safety;
52. Ke Moya Drug Abuse, Substance Abuse Programme, Dept of Social Development;
53. Social Security Pension Forums, Black Areas of Cape Metropole for the last two decades;
54. Disability Network with NGOs , Dept of Social Development;
55. Shell – the oil company in Oman;
56. Ukuvuka;
57. Working on Fire;
58. Ukuvuka;
59. The first and only long term PPP is the Los Angeles, CA, BICEPP, Business Industry Council for Emergency Preparedness and Prevention (name may be wrong). Started in the early 1980s to coordinate public-private planning in case of a major earthquake. I believe it continues. Many others have been created, operated for a few years and failed. Today, Memphis, TN, has a functioning PPP;
60. ChemTrec – A public service by the chemical industry that (I believe) still provides valuable information to fire services and other government entities;
61. US Department of State's Overseas Security Advisory Council. Government funded forum for international companies and NGOs to share / exchange emergency and security-related information in real time;

62. Project Impact, a PPP started during the Clinton administration to identify and reduce risk in communities. Ines Pearce (cc above) can provide more information. Some examples continue, even though funding and staff support were stopped by the Bush Administration;
63. I suppose it depends upon one's perspective whether it was good or not, but one of the first PPPs is likely to have been the "Marshall Plan", the primary plan of the United States for rebuilding and creating a stronger foundation for the countries of Western Europe after World War II. The plan was in operation for four years beginning in July 1947. During that period, some USD 13 billion in economic and technical assistance was given to help the recovery of the European countries that had joined in the Organization for European Economic Co-operation (quick summary courtesy of Wikipedia). This is not disaster per se, but you get the idea. Relating to some of my earlier comments, this was a case where the US encouraged US business to "partner" in the redevelopment of Europe with the dual objective of "doing good" and making money;
64. It's hard to say, categorically, what are successes and failures. Several PPPs that began in the disaster area were successful at various stages, or successful for just having been conceived and motivating others to consider options. The early days of satellite and mobile communications saw several partnerships, for example INTELSAT and INMARSAT, as well as Ericsson Motorola working with the UN System, International Organizations and NGOs (i.e., active involvement, particularly by Ericsson, in and support of the International Working Group on Emergency Telecommunications – WGET, and INTELSAT support for the US-USSR Telemedicine Spacebridge in response to the earthquake in Armenia in 1988);
65. Another, nurtured by Ollie Davidson while at OFDA, was the Caribbean Basin Private Sector Disaster Advisory Committee (Ollie can give you more if he hasn't donated the files to some library);
66. Victim support;
67. Rural safety;
68. Community police forums;
69. Neighbourhood watches;
70. Business Against Crime;
71. Toll roads;
72. Construction of prisons.

#### 7.3.4.2 Question 4B: Failed Partnerships

1. Relief NGOs (there are successes and failures in this partnership);
2. Golden Arrow bus service and DRM/COCT (as above);
3. NYC set up a programme to train private CPE group on Hazmat (Hazardous Materials). On 911 the members were not called in because the new people in charge did not know about it. Also, the database with the names was not backed up and the information was lost;
4. The Research Triangle Park area of North Carolina, USA, received a Project Impact grant of about \$100,000 around 2000 or 2001. However, the many cities and counties in the area were unable to agree to work together. The partnership failed to get buy in from the various participants before getting started and they ended up returning the grant funds;

5. A Re Phepafatseng community/NW government project - Mafikeng;
6. Soweto: ANC Youth League project with Sappi: Recycling with door-to-door collection;
7. Randburg recycling project: Des D'Ligneres/E L Bateman/ municipality;
8. GEF partnership with a consortium of environmental NGOs in the Philippines, 2002;
9. GEF-Colombia with CORALINA of San Andres 2001;
10. TNC - Jamaica - country-wide conservation plan 1985;
11. EU (or Cariforum?) with the Caribbean Conservation Association 2001 - CREP;
12. Cross City Tunnel Sydney;
13. Lane Cove Tunnel Sydney;
14. Local authorities and organized agriculture - trying to address intrusion of untreated sewage into rivers used for irrigation;
15. Metrorail and private security on trains (Rail Police (SAPS) re-established);
16. SAWS service to Eskom Koeberg (managing weather station at Koeberg);
17. Diyatalawa apple project in the Free State;
18. Mt Paul dairy project;
19. IBM international committee for disaster reduction (ca. 1997-98);
20. Many never got off the ground or beyond the rhetoric involved. Jon Twigg's paper on PPP realities in the later 1990s (1998 or so?) delve into several examples;
21. Building of children's ward with Atlantis Government hospital;
22. Ministerial Advisory Council, Dept of Social Development;
23. Community Based Forums for Municipality development, Integrated Development Planning, City of Cape Town;
24. Some tourism projects;
25. Trauma Centre / CoCT;
26. The International Disaster Advisory Committee (IDAC), the first disaster-related PPP started as a formal USG Advisory Committee during the first Bush administration. (Marilyn Quayle, wife of the US Vice President, was Chairman, I was Executive Director). Major corporations represented sectors that could cure (mitigate or prevent) or cause disasters, food, transport, insurance, fuel, insurance, communications, etc. Discontinued by the Clinton administration, but an inspiration for Project Impact (within the USA);
27. The Disaster Resource Network (DRN) started by the World Economic Forum and perhaps continuing in some diminished form (our colleagues in Europe should provide more precise information);
28. Youth Against Crime;
29. Sport Against Crime;
30. Maintenance of hospitals;
31. Service delivery – water, waste, housing.

### 7.3.5 Question 5

In this question, respondents were asked to indicate when they first encountered the term “Public-Private Partnership”. The responses to Question 5 are provided in the table below:

**Table 7-1: First encounter with the term "PPP"**

Year	Number of respondents
1987	1
1990	2
1991	1
1992	1
1993	1
1995	2
1996	1
1997	2
1998	3
1999	1
2000	3
2001	1
2002	5
2003	1
2005	1
2007	1

The majority of respondents first encountered the term between 1996 and 2003. The results from both Question 1 and Question 5 have limited use for the purpose of this dissertation and will therefore not be discussed in further detail. The results from Question 4 are interesting but are of limited use in the identification of success factors. The partnerships mentioned in the responses could be the subject of future detailed evaluation and research but will not be used in the rest of this dissertation. The responses to Question 2 and Question 3 present the real value of the targeted e-mail questionnaire which, due to the profile of the respondents, could be regarded as an expert panel. From the next section on, these responses will be used to derive additional success factors for PPPs.

#### **7.4 DERIVING SUCCESS FACTORS FROM QUESTIONNAIRE RESULTS**

In the previous section it was shown how the results from Question 2 and Question 3 were interpreted and processed to reveal cluster titles. Each cluster title summarizes the points collected underneath it and can therefore represent the cluster in a further processing step.

##### **7.4.1 List of cluster heading statements from Question 2 results**

The cluster titles from Question 2 were collated into a single list of negative statements, provided below:



- 1) Mistakes made regarding the mutual understanding of the other partner's functions and limitations, position and problems;
- 2) Inappropriate use of human resources;
- 3) Inappropriate performance management;
- 4) Lack of communication;
- 5) Unrealistic expectations;
- 6) Not maintaining the partnership;
- 7) Inappropriate goal setting;
- 8) Not maintaining continuity / too much focus on individuals;
- 9) Inappropriate time management;
- 10) Inappropriate partner selection;
- 11) Not managing public expectations or providing information to the public;
- 12) Personal gain focus of persons in public sector;
- 13) Vulnerability to political pressure not addressed;
- 14) Motivation;
- 15) Not addressing vulnerability to changing financial conditions;
- 16) Insufficient resources (material, human or financial);
- 17) Not addressing vulnerability to corruption and nepotism;
- 18) Insufficient financial planning / awareness;
- 19) No clear organizational structure with clear responsibility lines within the PPP;
- 20) Insufficient business case research;
- 21) Insufficient risk management – not well organized;
- 22) Failure to specify;
- 23) Failures of public sector;
- 24) Legal environment;
- 25) The tender process is cumbersome and wastes huge amounts of time;
- 26) Financial irregularities keep on occurring despite cumbersome tender processes;
- 27) Insufficient leadership;
- 28) The "power imbalances" are not levelled out at the beginning and therefore uneven expectations or indicators of success continue until the enterprise founders;
- 29) Insufficient resource planning;
- 30) Over-commitment and under-delivery on one or both sides;

- 31) No true risk sharing;
- 32) Flawed design, one / more missing element;
- 33) Inappropriate leadership in partnership;
- 34) Inappropriate trust between / among the leaders (forgiveness for inappropriate statements meant for their “base”);
- 35) Insufficient commitment and an unwillingness or inability to suffer inevitable setbacks that may happen along the way;
- 36) Not knowing when to end a positive relationship;
- 37) Sometimes partnerships form almost spontaneously, for example during a disaster event, and it is clear that the synergy is greater than the sum of the parts. But once the event is over, and the particular cause or need has dissipated, some partnerships try to find ways to continue and the essence of what made them special can be lost. Some partnerships are destined to be short, and better left that way;
- 38) Expectation that resources will be provided by public entities;
- 39) Instant gratification is the aim – sustainability is therefore rare;
- 40) No training is perceived to be necessary;
- 41) The time factor: The public sector works / decides more slowly;
- 42) Bureaucracy: The public sector is inherently inflexible or unable to improvise;
- 43) Expectations: The public sector objectives are wide and the targets too large;
- 44) Not enough training to imitate a unique idea and thereby increase the status of partnership.

The intention now is to compare and combine the results from Question 2 and Question 3 so that a consolidated list of success indicators and ultimately success factors can be synthesized from the questionnaire results. It is expected that there may be overlap between the two lists, and this process will neutralize such duplication. The negative statements from above will first have to be converted into positive statements to make them comparable with the results of Question 3.

#### **7.4.2 Question 2 cluster headings converted to positive statements**

This subsection contains the list of cluster headings converted from negative to positive statements. Some interpretation had to be applied to some of the headings

in order to convert them to positive statements. The last heading was removed because it is not meaningful.

- 1) Understanding the other partner;
- 2) Optimal human resource utilization;
- 3) Effective performance management;
- 4) Effective communication;
- 5) Common understanding of expectations;
- 6) Purposeful maintenance of the partnership;
- 7) Realistic joint goal setting;
- 8) Continuity and succession planning;
- 9) Time management;
- 10) Careful partner selection;
- 11) Manage public and stakeholder expectations;
- 12) Ensure alignment of partner and partnership goals;
- 13) Reduce vulnerability to political pressure;
- 14) Motivation;
- 15) Flexibility to address changing financial conditions;
- 16) Resource planning (material, human or financial);
- 17) Addressing vulnerability to corruption and nepotism;
- 18) Improved financial planning / awareness;
- 19) Clear organizational structure with clear responsibility lines within the PPP;
- 20) Conduct appropriate business case research;
- 21) Planned shared risk management;
- 22) Specificity;
- 23) Public sector commitment;
- 24) Supportive legal environment;
- 25) Efficient tender process;
- 26) Financial control and transparency;
- 27) Optimized tender processes;
- 28) Strong leadership;
- 29) Manage power relations to ensure equality, mutual respect and shared goals and objectives;
- 30) Conduct resource planning;

- 31) Realistic promises, full delivery;
- 32) Risk sharing;
- 33) Comprehensive programme design;
- 34) Appropriate leadership in partnership;
- 35) Mutual trust and respect between / among leaders;
- 36) Commitment and resilience to setbacks;
- 37) Knowing when to end a positive relationship;
- 38) Clarity on resource contributions;
- 39) Focus on long-term sustainability instead of quick wins;
- 40) Training and skills development for partnership participation;
- 41) Allow time for processes, attempt synchronization;
- 42) Public sector flexibility and innovation;
- 43) Realistic objectives and expectations.

#### **7.4.3 List of cluster heading statements from Question 3 results**

This subsection contains the cluster headings from the Question 3 results with all other points removed. These cluster headings already represent performance areas and success factors, but will be strengthened through a combination with the cluster headings from Question 2 that has been converted to positive statements.

- 1) Mutual benefit;
- 2) Mutual understanding;
- 3) Common goals;
- 4) Effective communication;
- 5) Joint activities;
- 6) Flexibility;
- 7) Motivation;
- 8) Ethical conduct;
- 9) Relationship of trust;
- 10) Continuity;
- 11) Training and education;
- 12) Legislative framework;
- 13) Planning;

- 14) Enhanced service delivery to communities;
- 15) Partner selection;
- 16) Size and knowledge of both partners;
- 17) Human resource needs;
- 18) Focus on outcomes;
- 19) Financial control and discipline;
- 20) Leadership;
- 21) Delivery management;
- 22) Financial backing;
- 23) Stakeholder management;
- 24) Selling your plan;
- 25) Performance measuring;
- 26) Post-project survival;
- 27) Clearly defined unsatisfied need for a product or a service;
- 28) Customer satisfaction;
- 29) Commitment;
- 30) Lean and focused organization;
- 31) Customer focus.

The cluster headings from Question 2 and Question 3 will now be combined into a single list. In the process of combination, duplications will be removed, complementary points will be combined and unique points will be listed separately. Conflicting ideas will be pointed out and discussed if present. The combined cluster heading list now represents the PPP success factors identified in this chapter. These factors are listed in the next section.

## **7.5 SUCCESS FACTORS IDENTIFIED IN THIS CHAPTER**

The success factors for PPPs identified in this chapter are:

1)	Understanding the other partner;
2)	Optimal human resource utilization;
3)	Effective performance measuring and management;
4)	Effective communication;

5)	Common understanding of expectations;
6)	Purposeful maintenance of the partnership;
7)	Realistic joint goal setting;
8)	Continuity and succession planning;
9)	Time management;
10)	Partner selection;
11)	Stakeholder management;
12)	Manage public and stakeholder expectations;
13)	Common goals: Goal alignment between partners and partnership;
14)	Reduce vulnerability to political pressure;
15)	Motivation;
16)	Flexibility to address changing financial conditions;
17)	Resource planning (material, human or financial);
18)	Addressing vulnerability to corruption and nepotism;
19)	Improved financial planning / awareness;
20)	Clear organizational structure with clear responsibility lines within the PPP;
21)	Conduct appropriate business case research;
22)	Planned shared risk management;
23)	Specificity;
24)	Public sector commitment;
25)	Supportive legal environment;
26)	Efficient tender process;
27)	Financial control, discipline and transparency;
28)	Optimized tender processes;
29)	Strong leadership;
30)	Manage power relations to ensure equality, mutual respect and shared goals and objectives;
31)	Conduct resource planning;
32)	Realistic promises, full delivery;
33)	Risk sharing;
34)	Comprehensive programme design;
35)	Appropriate leadership in partnership;

36)	Mutual trust and respect between / among leaders;
37)	Commitment and resilience to setbacks;
38)	Knowing when to end a positive relationship;
39)	Clarity on resource contributions;
40)	Focus on long-term sustainability instead of quick wins;
41)	Training and skills development for partnership participation;
42)	Allow time for processes, attempt synchronization;
43)	Public sector flexibility and innovation;
44)	Realistic objectives and expectations;
45)	Not enough training to imitate a unique idea and thereby increase the status of partnership;
46)	Post-project survival;
47)	Mutual benefit;
48)	Joint activities;
49)	Flexibility;
50)	Ethical conduct;
51)	Relationship of trust;
52)	Training and education;
53)	Planning;
54)	Enhanced service delivery to communities;
55)	Size and knowledge of both partners;
56)	Focus on outcomes;
57)	Delivery management;
58)	Financial backing;
59)	Selling your plan;
60)	Clearly defined unsatisfied need for a product or a service;
61)	Customer satisfaction;
62)	Lean and focused organization;
63)	Customer focus.

## **7.6 FURTHER DISTILLATION OF SUCCESS FACTORS**

The above list of success factors now need to be compared and integrated with the success factors identified in Chapter 6. The list of factors from the previous chapter is shown in Annexure C. A process of synthesis will now be performed where the two lists are compared, duplications are removed, complementary factors are combined and unique new factors are added. If conflicting success factors are identified they will be discussed and resolved.

### **7.6.1 Integrated list of success factors**

The consolidated list of success factors is shown in Annexure C. This consolidated and integrated list represents all the success factors identified in this dissertation. This list will be further described in the next chapter.

## **7.7 CHAPTER SUMMARY**

This dissertation aims to identify critical success factors for PPPs. In Chapter 6 the characteristics and performance of a wide variety of partnerships were compared in order to identify patterns in their success or failure that could further illuminate the search for critical success factors for PPPs. The PPP performance evaluation instrument designed through a process that commenced in Chapter 2 was conceptualized at the conclusion of Chapter 4, and was available to evaluate case studies within Chapter 6. Success factors that could be identified in the case studies discussed in Chapter 6 were isolated throughout the chapter and were collected at the end of the chapter, where they were compared with success factors that have been generated through a distillation process that began in Chapter 1. In this chapter a final level of analysis was applied to the PPP success factors that were progressively generated and refined through a process of distillation that commenced in Chapter 1. Opinions about the success and failure of partnerships, collected from targeted respondents through interviews and questionnaires, were firstly presented and then used as an instrument to enhance and strengthen the success factors formulated at the conclusion of Chapter 6. In Chapter 8 the success factors collected throughout this dissertation will be discussed in more detail and the dissertation will be summarize and concluded.



1	2	3	4	5	6	7	<b>8</b>
<b>SUCCESS AND FAILURE: SEARCHING FOR A PATTERN</b>							

Chapter 1: INTRODUCTION
Chapter 2: PUBLIC-PRIVATE PARTNERSHIPS: AN OVERVIEW
Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT
Chapter 4: CRITICAL SUCCESS FACTORS Perspective 1: Collecting opinions and evidence from literature
Chapter 5: EVALUATING PUBLIC-PRIVATE PARTNERSHIPS Perspective 2: Interrogating definitions and opinions of success to establish success measurement instruments
Chapter 6: EXAMPLES AND THEIR SUCCESS OR FAILURE Perspective 3: Analysing case studies using measurement instruments from the previous chapter
Chapter 7: SUCCESS AND FAILURE: SEARCHING FOR A PATTERN Comparing the evidence from different perspectives
<b>Chapter 8: SUMMARY AND CONCLUSION: KEY ASPECTS OF SUCCESSFUL PARTNERSHIPS Synthesis: Evaluating the evidence</b>
9.: ABBREVIATIONS AND ACRONYMS
10.: REFERENCE LIST
11. Annexure A: PPP ENABLERS PER COUNTRY
12. Annexure B: QUESTIONNAIRE TABLES

## 1 8 SUMMARY AND CONCLUSION: KEY ASPECTS OF 2 SUCCESSFUL PARTNERSHIPS

### 3 8.1 INTRODUCTION 4

5 In the previous chapter, Chapter 7, a final filter was applied to the PPP success  
6 factors that were progressively generated and refined through a process of distillation  
7 that commenced in Chapter 1. Opinions about the success and failure of  
8 partnerships, collected from targeted respondents through interviews and  
questionnaires, were firstly presented and then used as a purification instrument to  
reduce and strengthen the success factors formulated at the conclusion of Chapter 5.  
In Chapter 6 the characteristics and performance of a wide variety of partnerships  
were compared in order to identify patterns in their success or failure that could  
further illuminate the search for critical success factors for PPPs. The PPP  
performance evaluation instrument designed through a process that commenced in  
Chapter 2 was conceptualized at the conclusion of Chapter 4, and was applied to  
evaluable case studies within Chapter 6. Success factors that could be identified in  
the case studies discussed in Chapter 6 were isolated throughout the chapter and  
were collected at the end of the chapter, where they were compared with success  
factors that have been generated through a distillation process that began in Chapter  
1. In Chapter 7, an additional layer of evidence was added by identifying and  
including success factors emanating from the opinions of targeted experts collected  
over several months as well as roleplayers in Disaster Management, collected  
through questionnaires at workshops. Success factors were derived from the results  
of questionnaires and synthesised with success factors identified in previous  
chapters. At the end of the chapter, a consolidated list of all the success factors  
identified within this dissertation was presented.

In this chapter a synthesis of all the success factors identified in previous chapters  
will be presented, and a final list of success factors will be compiled through a  
process of comparison, elimination of duplication, and reformulation of success  
factors. A consolidated list of success factors will be created from the disparate  
factors presented, explored, derived and discovered in the past chapters. This

dissertation has consciously and purposely transgressed the boundaries of the narrow definition of PPPs as postulated by the SA Treasury, and has also ranged beyond the well-trodden paths of the public management body of knowledge. By exploring beyond traditional boundaries, a learning process evolved which saw rich and useful lessons being drawn from other disciplines and fields of study and other manifestations of the partnership idea. Bringing these interdisciplinary lessons back to the partnership concept and applying them to a variety of partnership forms creates new opportunities for learning.

## **8.2 SUCCESS FACTORS IDENTIFIED IN THIS DISSERTATION**

Several collective headings or cluster titles have emerged from the process of synthesis and filtering to which the identified success factors were submitted. A total of 43 such headings were identified and will be listed below. At least 466 individual success factors have been identified, which has been distilled to 324 success factors listed under the above-mentioned 43 collective headings. Three of the headings have only one success factor listed under them, while four headings stand alone. It would be possible to spend additional time and reduce the current list even further by combining similar concepts, but as the aim of this dissertation is to identify critical success factors, the intention is to stop at a level of reduction where identified factors do not lose too much of their original meaning. Similarly, the original success factors identified in each chapter have been listed and remain available for further discussion, investigation and elaboration by other researchers. The temptation to further analyse each of the identified success factors has been resisted as such further analysis can also be the subject of further research stemming from this dissertation. The aim of this dissertation was the identification of success factors, and the identified success factors should be seen as the result of this dissertation rather than a step contributing towards another result or product. The success factors for partnerships identified in this dissertation are presented below.

### **8.2.1 Leadership**

It is not surprising that leadership was identified as a collective title for key success factors. Various aspects of leadership can influence the success of PPPs and success factors clustered under this heading include:

- a. Strong leadership to overcome institutional inertia / resistance to change:
  - i. Good leadership and interpersonal relationships;
  - ii. Clear direction;
- b. Strong champion or driver:
  - i. Strong individual champions in the private partner;
- c. Visible political leadership:
  - i. Well-informed political leadership involvement from public partner;
  - ii. Stable political leadership;
  - iii. Appropriate levels of political involvement;
  - iv. Protection against political interference;
  - v. Policy consistency;
  - vi. Reduce vulnerability to political pressure;
- d. Recognize the importance of perceptions among leadership;
- e. Commitment of and leadership from top management in the public partner;
- f. Clear division of responsibility of functions;
- g. High-profile proponents / champions of the model;
- h. Competent, motivated management;
- i. Favourable internal political environment;
- j. Motivation.

### **8.2.2 Partners ready for partnership**

It is clear that potential partners in a PPP must be ready and willing to partner if a PPP is to be successful. Factors clustered under this heading have bearing on partners' ability to establish and maintain positive relationships. Success factors clustered under this heading include:

- a. Partners able to pursue individual goals;
- b. Partners contribute portions of resources;
- c. Partners contribute according to own comparative advantage;
- d. Available potential partners;

- e. Understanding the other partner;
- f. Previous partnership experience;
- g. Relationship of trust:
  - i. Trust built on reciprocity;
  - ii. Mutual trust and respect between/among leaders;
- h. Organizational cultures receptive for partnership;
- i. Public sector understanding of private sector incentives and NGO approaches;
- j. Genuine engagement of public sector with policies promoting partnership;
- k. Public sector inter-departmental cooperation in support of partnership;
- l. Price flexibility from private partner;
- m. Effective change management;
- n. Commitment:
  - i. Willingness to invest time and effort;
  - ii. Support of stakeholders;
  - iii. Continued active involvement of public partner;
  - iv. Commitment to the partnership process by all partners;
  - v. Public sector commitment.

### **8.2.3 Learning**

From the success factors identified in this dissertation it is clear that a willingness to learn and a focus on learning will improve the prospects for success for a PPP. The complete collection of identified success factors in this dissertation will hopefully assist such learning. Success factors clustered under this heading include:

- a. Use lessons from private enterprise;
- b. Observe the “generic observations” on partnership success.

### **8.2.4 Common purpose, goal alignment, synergy and mutual benefit**

This collection of success factors were clustered together because they all refer to a commonality of purpose and benefit that is required for partnership success. Success factors clustered under this heading include:

- a. The existence of potential for synergy between partners;
- b. Clarity and openness about individual and collective agendas and purpose;
- c. Confirm each partner's individual goals;
- d. Confirm the collective goal of the partnership;
- e. Synergy between individual and collective agendas;
- f. Synergy between individual, collective and societal benefits;
- g. Build real partnership, with shared burdens and shared rewards;
- h. Common goals: Goal alignment between partners and partnership;
- i. Realistic joint goal setting;
- j. Mutual benefit;
- k. Satisfaction of consumers, decision-makers and private partner;
- l. The partnership should deliver mutual benefit;
- m. All partners obtain pre-defined benefit;
- n. Private sector receives benefit / award;
- o. All partners should be able to benefit.

#### **8.2.5 Goal achievement**

This heading indicates that some outcome must be achieved, and that the outcomes of a partnership and its achievement of its goals will influence its success. The two success factors clustered under this heading are:

- a. Outcomes; and
- b. Role-players achieve common goals.

Point b also relates back to the commonality of purpose indicated under the previous heading and further underlines the need for all parties in the partnership to achieve their goals and therefore benefit from the partnership.

#### **8.2.6 Partnership establishment**

The success of a partnership is heavily dependent on how the partnership is established and this category of success factors contains a long list of success factors that relate to the organisational design and implementation of the partnership

and the partner selection process. Success factors clustered under this heading include:

- a. Seeing partnership formation as the formation of new for-profit enterprises based on social or environmental objectives and values;
- b. Support in the implementation of partnerships;
- c. Rationalize the number of partners;
- d. Understanding of the original partnering motivations and conditions;
- e. Focus the scope and content of the partnership arrangement;
- f. Establish appropriate organizational and contractual arrangements;
- g. Establish sound partnership principles;
- h. Expedite access to staff and premises for new suppliers;
- i. Confirm / ensure statutory and regulatory authorization;
- j. Create teams with diversity to encourage creativity;
- k. Focus on discovering and exploiting partnership opportunities;
- l. Structure the venture with a focus on outcomes;
- m. Developing effective knowledge-sharing practices;
- n. Clear lines of accountability;
- o. Comprehensive all-stakeholder calculation of total benefit;
- p. Effective contractual arrangements;
- q. Access to learning experiences from other partnerships;
- r. Appropriate delegation of powers from parent organizations:
  - i. The representatives of the partners in the partnership have sufficient delegated decision-making powers;
  - ii. Policy-making powers are delegated with care, if at all;
- s. Partnership design:
  - i. Conduct a pre-partnership viability assessment;
  - ii. PPPs should be chosen as delivery mechanism only when the PPP model is appropriate to the circumstances;
- t. Structuring the partnership:
  - i. Create new organizational collaboration and innovation space;
  - ii. Clearly defined project organization structure;
  - iii. Organizational flexibility;
  - iv. Structure partnerships for success;

- v. Symmetry of information;
- vi. Establish institutional arrangements with care;
- vii. Lean and focused organization;
- u. Comprehensive partner-selection process:
  - i. Previous experience of partners in partnerships;
  - ii. Open competition in the selection of partners;
  - iii. An experienced and competent private partner;
  - iv. Selecting partners with experience in the applicable field;
  - v. Selecting a partner that can contribute the most value to the partnership;
  - vi. Partners contribute according to their strengths;
  - vii. Different types of risk are carried by the partner most suitable for it;
  - viii. Available potential partners with the capacity to participate;
  - ix. Local entrepreneurship;
- v. Recognisable institutional form created:
  - i. Involvement of both public and private sectors;
  - ii. Several stakeholders involved;
  - iii. Contractual arrangement in place;
  - iv. Defined structural relationships;
  - v. Limited governance and delivery gaps;
  - vi. Low overlap and duplication.

While many of the success factors listed under this heading point to the creation of formal arrangements, it should be noted that informally constituted partnerships can also be successful and this will be discussed in a later category heading.

### **8.2.7 Power relationships**

Specific attention should be given to the power relationships and aspects that affect power relationships within a partnership if it is to be successful. Success factors clustered under this heading include:

- a. Understanding and adjusting for the influence of power relationships upon partnership governance;
- b. Capacity should be balanced in a partnership;



- c. Equality within partnership;
- d. Power sharing;
- e. Balancing of power;
- f. Balanced representivity;
- g. Manage power relations to ensure equality, mutual respect and shared goals and objectives.

### **8.2.8 Transparency and accountability**

It is evident that transparency and accountability is essential for partnerships, and especially partnerships involving public funds such as PPPs invariably do. Success factors clustered under this heading include:

- a. Transparent procurement processes;
- b. Stakeholders should be empowered to understand that which is supposed to be transparent;
- c. Fully transparent procurement system;
- d. Fighting corruption:
  - i. Procedural disincentives for corruption;
  - ii. Blacklisting of corrupt contractors;
- e. Ethical conduct;
- f. Addressing vulnerability to corruption and nepotism.

Points a and c seem like duplicates but it can be argued that there may be a difference between processes and systems to support processes, therefore both have been retained.

### **8.2.9 Performance management**

Performance management is a generalised recommendation for improving the effectiveness and efficiency of organisations, but is no less important for partnerships and is picked up in many of the success factors identified in this dissertation. Success factors clustered under this heading include:

- a. Civil society assistance with performance measurement;
- b. Evaluation system (which could include inspection);

- c. Regular partnership review and reconsideration;
- d. Ongoing performance management;
- e. Shared and agreed performance measurement indicators;
- f. Measure performance against individual and combined goals;
- g. Shared success or failure evaluation;
- h. Performance oriented goals;
- i. Clearly delineated metrics for performance and reporting;
- j. Outcomes-based performance measurement and management;
- k. Measure performance against mission / objectives;
- l. Effective, unbiased programme evaluation;
- m. Programme impact is aligned to outputs specified in programme theory;
- n. Goals are actively pursued and performance of the partnership is monitored and evaluated against these goals;
- o. Deliver to service standards;
- p. Match performance to promises;
- q. Focus on long-term sustainability instead of quick wins.

### **8.2.10 Internal governance**

More than thirty of the identified success factors relate to the internal governance arrangements of partnerships and are presented under this collective heading. Various aspects of internal governance are touched upon and the success factors clustered under this heading include:

- a. Correct choice of partnership model;
- b. Clear objectives, policies and principles;
- c. Simplified joint decision-making;
- d. Devolve authority for decision-making to the lowest possible level;
- e. Joint capacity building session;
- f. Environmental monitoring:
  - i. Ability to adapt to environmental changes;
  - ii. Consider the impact of external factors (environment / stakeholders);
- g. Sensitivity to environment / context:

- i. Achieve a fit between the industry evolution context, personal networks of entrepreneurs, behaviours of entrepreneurs, motives of stakeholders, and the structures and strategies of the organization;
- ii. Consider political acceptability;
- h. Establish single coordination point;
- i. Manage authority vacuum through collegiate decision-making;
- j. Choose optimal organizational structure;
- k. Clearly defined method of dispute resolution;
- l. Reducing and managing complexity;
- m. Streamlined, appropriate, respected procedures;
- n. Effective performance management;
- o. Formalized inclusive and consensual decision-making;
- p. Clear assignment of specific decision-making powers;
- q. Improved effectiveness and efficiency;
- r. Adequate skills and managerial capacity;
- s. Efficient knowledge and information management;
- t. Defined and efficient decision-making;
- u. Use of appropriate management instruments;
- v. Appropriate levels of formality;
- w. Participate rule-setting;
- x. Transparency and peer review within partnership;
- y. Clear purpose, roles and responsibilities;
- z. Purposeful collaboration;
- aa. Clear organizational structure with clear responsibility lines within the PPP;
- bb. Realistic promises, full delivery;
- cc. Realistic objectives and expectations;
- dd. Time management;
- ee. Resource planning (material, human or financial).

### **8.2.11 Contracting**

The contracting phase of partnership formation is related to partnership establishment, which is already listed as a collective heading within this section (see sub-section 8.2.6 above). In that sub-section it was mentioned that a formal

agreement is not always required to have a successful partnership - a point which will be discussed later in this section. When a formal contract is however used, the indication from the gathered success factors is that such a contract and the process of contracting can have considerable influence on partnership viability. Success factors clustered under this heading include:

- a. Ensure tender invitations are complete with all necessary information;
- b. Standardized forms and methodology for bid adjudication;
- c. Fair contract enforcement mechanisms;
- d. Contract management to ensure adherence and punish non-compliance;
- e. Contract design should reflect conditions;
- f. Contract management;
- g. Contract negotiations;
- h. Don't get lost in the fine print;
- i. Detailed specifications;
- j. Simplify specifications by focusing on outputs and outcomes;
- k. Flexible contracts with simple, robust contract variation procedures;
- l. Properly designed contract;
- m. Clear description of the responsibilities of each partner;
- n. Open procurement process;
- o. Bid evaluation:
  - a. Considering the appointment of external consultants to work with the government agency on the evaluation of bids;
- p. Robust internal process to evaluate proposals;
- q. Efficient tender process;
- r. Optimized tender processes.

### **8.2.12 Cost management**

Identified success factors suggest that cost management will influence partnership success and cost management was therefore established as one of the collective headings for success factors. The following success factors were clustered under this heading:

- a. Increased awareness of cost management among public staff;

- b. Integration of activities to enable cost sharing;
- c. Compare costs and performance with alternatives;
- d. Reduced transaction cost;
- e. Cost of product and service production must be determined;
- f. Compare information costs under alternatives.

### **8.2.13 Stakeholder engagement**

Communication with and involvement of stakeholders was consistently identified as a significant area affecting the success of partnerships and a stakeholder engagement heading was therefore established. Success factors clustered under this heading include:

- a. Clear identification of all stakeholders;
- b. Open and candid communication with all stakeholders, taking into regard the concerns and priorities of each stakeholder;
- c. Conscious stakeholder relationship management;
- d. Keep all stakeholders informed of all aspects of project, with specific focus on the intent, purpose, and means of implementation of the project;
- e. Counter misperceptions and myths through audience-appropriate, candid and factual information;
- f. Recognizing the role of civil society to act on behalf of the community;
- g. Policy statement to all stakeholders;
- h. Effective communication with all stakeholders;
- i. Engagement with organized labour:
  - i. Consider organized labour opinions;
  - ii. Positive engagement with organized labour;
  - iii. Seeking labour support;
  - iv. Having due consideration for labour concerns and priorities;
- j. Reduction in potential for political interference;
- k. Honest, positive, transparent and constructive consultation with stakeholders;
- l. Real engagement of excluded voices;

- m. Understanding of and capacity for engagement with external and internal stakeholders;
- n. Effective communication across barriers such as language;
- o. Absence of gatekeepers and allegiances;
- p. Manage public and stakeholder expectations;
- q. Selling your plan.

#### **8.2.14 Effective communication**

Stakeholder engagement and communication is integrally linked, but it was felt that communication also warrants its own collective heading due to the prominence given to it among the identified success factors. While communication is a consistent theme throughout many of the identified success factors, the two most prominent success factors that can be collected under the communication heading are that communication responsibility should be shared among partners, and communication should come from the most appropriate partner for the specific communication.

#### **8.2.15 Purposeful collaboration**

Several identified success factors can be joined to the concept of purposeful collaboration between partners. It is evident that collaboration should be a constant and purposeful activity to enable a partnership to flourish. Success factors clustered under this heading include:

- a. Develop a collaborative process;
- b. Provide incentives for effective collaboration;
- c. Experiment with collaboration options;
- d. Build interpersonal skills for collaboration;
- e. Build on the assets of potential partners;
- f. Appropriate levels of integration and coordination;
- g. Appropriate levels of interdependence;
- h. Sustained collaborative effort;
- i. Intra-partnership awareness of other partners' missions, goals and objectives;
- j. Role-players pool and share resources;

- k. Public sector remains significant role-player;
- l. Mobilization of a coalition of interests drawn from more than one sector;
- m. Real collaboration;
- n. Honest, sincere and respectful collaboration in meetings;
- o. Purposeful maintenance of the partnership.

### **8.2.16 Supportive systems**

Partnerships are able to achieve more if they are supported by internal and external systems, both administrative and organisational. Success factors clustered under this heading include:

- a. Procurement systems that support the partnership approach;
- b. Rally public, political and administrative support;
- c. Establish support mechanisms / partnership enablers;
- d. Strong local ownership;
- e. Community support.

### **8.2.17 Supportive environment**

A supportive internal and external environment has been pointed out as a requirement for the attainment of partnership goals and partnership success. Success factors clustered under this heading include:

- a. Supportive policy and political environment;
- b. Supportive models of public-private interaction;
- c. Sufficient social capital to accommodate the social capital requirements of the partnership and/or sufficient time to build social capital;
- d. Supportive, enabling legal environment:
  - i. A statutory foundation (enabling legal environment);
  - ii. Public officials must identify and remove legislative, regulatory and administrative impediments;
  - iii. Access to fair and unbiased judicial relief;
  - iv. Regulation to prevent abuse;
- e. Stakeholder support;
- f. Citizen and community interest and involvement;

- g. The project is a priority within a strategic plan;
- h. Stakeholder and community support and involvement.

#### **8.2.18 Flexibility to adapt to changing circumstances**

Four identified success factors have bearing on flexibility on the side of partnerships.

Success factors clustered under this heading include:

- a. Flexibility - renegotiating outcomes based on changing conditions;
- b. Manage flexibly around key values and performance objectives;
- c. Achieving context specific requirements, such as black economic empowerment in South Africa;
- d. Flexibility to address changing financial conditions.

#### **8.2.19 Financial analysis, control, planning and sustainability**

The financial aspects of partnerships cannot be ignored and was sufficiently present within identified success factors to warrant a collective heading. Success factors clustered under this heading include:

- a. Finance sources;
- b. An assured income stream for the duration of the partnership;
- c. Transparency in financial management;
- d. Joint control of partnership funds;
- e. Joint prioritization of spending;
- f. Financial control, discipline and transparency;
- g. Improved financial planning / awareness;
- h. Financial backing.

#### **8.2.20 Service delivery**

This collective heading pertains to the need for a partnership to actually deliver a service. Success factors clustered under this heading include:

- a. Understanding the business at hand, for example water and sanitation;
- b. Quality focus;
- c. Services should be delivered in a manner that is *safe* to users;



- d. Delivery of services that are accessible - easy to use and delivered in a manner and at a place which is convenient for the target market they are intended for;
- e. Delivery management.

### **8.2.21 Human resources**

As in any type of organisation, the quality of the human resources or –capital employed by the organisation has bearing on the success of the organisation. In the case of partnerships, the human resources involved in the organisation may not necessarily be employed by the partnership itself, which complicates matters. Several identified success factors tie in with the need for good calibre human resources and are clustered under this heading:

- a. Skills:
  - i. Strategic and financial skills within the public sector partner;
  - ii. Strategic human capital plan to acquire the correct skills;
  - iii. Appropriate skills within the public sector partner;
  - iv. Build entrepreneurial skills;
  - v. Workforce development plan;
  - vi. Acquire new governance skills set;
  - vii. Private sector experience for the public sector;
  - viii. Invest in the best and brightest human capital for the public sector;
  - ix. Develop appropriate set of core competencies;
  - x. Appoint individuals with entrepreneurial experience and skills;
  - xi. Invest in skills and competencies;
  - xii. Public sector human capital in contract and network management;
  - xiii. Improve capacity for tactical decision-making;
  - xiv. Training and education;
  - xv. Training and skills development for partnership participation;
- b. Use people with a collaborative mindset;
- c. Continuity and succession planning;
- d. Skills transfer possible from public to private sector;
- e. Optimal human resource utilization;
- f. Financial capacity.

### **8.2.22 Partners contribute according to their capacity**

Partnerships consist of more than one partner, each of which would ostensibly have different contributions to make to the partnership. This collective heading originates from a success factor first identified in subsection 4.2.2.17 starting on page 242 and was converted to a heading as other additional success factors were found that supported its assertion that partners should contribute according to their capacity. Success factors clustered under this heading read like instructions for each of the possible partners and include:

- a. Focus on the required public outcome;
- b. Aim to make meaningful enhancements to the status quo;
- c. Make meaningful, even if imperfect, enhancements to the status quo;
- d. First focus on public value, what public outcome must be produced;
- e. Manage around key values and performance objectives;
- f. Clarity on resource contributions.

### **8.2.23 Use public resources effectively and judiciously**

The effective and judicious use of public resources was first identified as a success factor in Chapter 4 in a discussion of public sector governance literature. Two success factors that relate to this heading include:

- a. Efficient utilization of scarce resources;
- b. Use land ownership as a way for the public to control the projects.

### **8.2.24 Use all available resources, not only monetary, to bring partnerships together**

While there is a necessary focus on financial issues in the identified success factors, other resources than finance must also take their place and therefore a specific success factor identified in this regard is to consider finance as a tool among many others. The need to consider all available resources to bring partnerships together was first identified in a network governance discussion in Chapter 4.

### **8.2.25 Willing private partner**

This and the following collective heading relate to each other as well as the previously explained readiness for partnership. It is self-evident that for a PPP one would need both a willing private and public partner. There are also other more descriptive success factors that were identified and which align very well with these two headings. Success factors clustered under this first heading related to the willingness of the private partner include:

- a. Appropriate incentive and reward structures;
- b. Profit potential for private sector;
- c. Fair returns for private partners;
- d. Real incentives for the private sector;
- e. Market opportunity:
  - i. Reasonable expectation of private sector interest due to potential market;

### **8.2.26 Willing public partner**

Similarly, success factors clustered under the heading related to the willingness of the public partner include:

- a. Strategic understanding of partnerships within the public sector partner;
- b. Minimizing the bureaucratic procedures that can cripple a project;
- c. Support for public managers to explore and implement the PPP option;
- d. Public political will;
- e. High-level political leadership / champion;
- f. Active public sector involvement;
- g. Public sector commitment;
- h. Public sector flexibility and innovation.

### **8.2.27 Compatibility**

Willing partners is not sufficient if compatibility, another identified success factor, is not also in evidence. At least fourteen success factors link to the concept of compatibility and are clustered under this heading:

- a. Shared applications (for example, software);
- b. Similar technologies, procedures, systems and equipment;
- c. Shared communication channels;
- d. Shared semantics;
- e. A well-developed shared vocabulary;
- f. Shared experiences in field;
- g. Similar cultures or overcoming cultural and institutional differences;
- h. Cultures that embrace collaboration;
- i. Similar measurements of success;
- j. Synchronization of partners' business processes;
- k. Philosophical match between the private and public partners or overcoming potential conflict caused by differences in philosophy;
- l. Common ground in terms of political doctrine;
- m. Compatible levels of technical expertise;
- n. A common understanding of the concept of public-private partnership.

#### **8.2.28 Value for money**

The need for value for money is strongly articulated within the success factors identified. Success factors clustered under this heading include:

- a. Delivery of affordable services not exceeding public provision costs;
- b. Robust procurement methodology that ensures value for money;

#### **8.2.29 Risk management**

Risk management is a well-known tool to ensure that an entity reaches its objectives and should therefore also be of use in the PPP context. Several identified success factors have a relationship with risk management and risk management is also part of the SA Treasury definition of PPP. Success factors clustered under this heading include:

- a. Integrated risk management - clear and fair risk balance;
- b. Identify and actively manage risks;
- c. Clear risk allocation;

- d. Risk transfer to private sector;
- e. Risk sharing;
- f. Planned shared risk management.

### **8.2.30 Government oversight**

Government oversight was identified as a success factor in a discussion of third sector or civil society perspectives on partnership success in Chapter 4. This heading does not easily fit under any of the other collective headings.

### **8.2.31 Strong programme conceptualization**

A programme must be properly conceptualised before it can be implemented, and from the collection of identified success factors quite a few have bearing on programme conceptualisation. Success factors clustered under this heading include:

- a. A public need is met:
  - i. Private sector provides a traditionally public service against an output-based specification for a significant period of time;
- b. Prepare and oversee an agreed strategy;
- c. Common vision and objective;
- d. Defined purpose;
- e. Clearly identified pre-determined goals or outcomes for the partnership;
- f. Clear mandates and authority;
- g. Clarity, plausibility, feasibility, and appropriateness of programme theory which shows cause-effect relationships leading to required outcome;
- h. Shared project design and planning;
- i. Consider context in establishing mission and objectives;
- j. Appropriate performance indicators for which data is available and collection is feasible.
- k. Government must be sure of what it wants;
- l. Known outputs;
- m. Focus on outcomes;
- n. Quantified process;
- o. Clear project definition and scope management;

- p. Ensure appropriate project handover that empowers the client;
- q. Focus on appropriate product development and service delivery;
- r. Know what customers expect;
- s. Select correct service design standards;
- t. Comprehensive preparations for programme conceptualization;
  - i. Pre-contract / Conceptualization:
    - 1. Proposed public partners need to agree to establishment;
    - 2. Availability of financing;
    - 3. Following due legal process;
    - 4. Properly mandated representatives;
    - 5. Market research;
  - ii. Well-defined procurement process;
  - iii. Source expert advice in contracting phase;
- u. Transparency and accountability;
- v. Conduct appropriate business case research.

### **8.2.32 Look at complete product life cycle, not only project life cycle**

This is another stand-alone success factor that was identified in this dissertation. The success factor relates to the focus in PPP projects and suggests that the total product life cycle of the service that is being delivered through the PPP should be considered in the management of such a PPP, not only the project life cycle.

### **8.2.33 Pursue the triple bottom line**

The triple bottom line of financial, societal and environmental viability is just as important for the good governance and ultimate success of partnerships as it is for individual business or government entities. First mentioned in a discussion on corporate governance in Chapter 4, this aspect of success has grown into a collective heading as the discussion progressed. Success factors clustered under this heading include:

- a. Greater environmental responsibility;
- b. Protection of the environment;
- c. Social equity and economic empowerment focus.

### **8.2.34 Partnership character**

Certain of the identified success factors, it was realised, describe partnership character and it seems that a sustainable and successful partnership should exhibit a specific character. Success factors clustered under this heading include:

- a. The service involved is appropriate for delivery through partnership;
- b. Reasonable resource costs;
- c. Clear, agreed goals;
- d. Achievement of an important social benefit;
- e. A focus on positive goals, positive social impact and public good;
- f. Increased effectiveness in use of resources.

### **8.2.35 Formal agreements are not necessarily required to make a partnership successful**

Another stand-alone success factor, this statement could be seen as conflicting with other success factors that argue for formalised contracting within PPPs. It was felt that this point should be retained because of the ability of certain PPPs to function and perform without formal agreements. This success factor serves to illustrate that the concept of PPP is perhaps wider than generally considered, and that the success or failure of PPPs is not solely reliant on effective contracting.

### **8.2.36 A public need exists which is not satisfied by the public sector**

The nature of the collected success factors prompts the realisation that PPP success is dependent on the existence of a public need which is not adequately satisfied. Success factors clustered under this heading include:

- a. A market or demand exists for the service;
- b. A public need must exist.
- c. A market exists for the service being delivered
- d. Sufficient public users of the service (market);
- e. Satisfying a public need;
- f. If a sector (either public or private) fails to provide a required service and the need still exists, PPPs are possible;

- g. A market for a specific public service exists but is not satisfied by the existing public or private sector;
- h. Clearly defined unsatisfied need for a product or a service.

### **8.2.37 Circumstances that force a collective response**

This collective heading derives from one of the first literature studies conducted as part of this research project and embodies one of the first insights into the requirements for success in partnership achieved by the researcher (see discussion in section 2.6.36.5.1 on page 411). Success factors clustered under this heading include:

- a. Common fear of an external threat can motivate parties to form partnerships and ensure that such partnerships work;
- b. The need for a survival strategy can be an indicator for motivation to ensure success – crisis ensures focused collaboration and increase the chance of success.

### **8.2.38 Internal relationship management**

More than just organisational management, the optimal management of relationships internal to the partnership has also been revealed as a key ingredient to success. Success factors clustered under this heading include:

- a. Equality within the partnership;
- b. Openness and communication;
- c. Conflict management;
- d. Positive attitudes;
- e. Goodwill;
- f. Transparent decision-making processes;
- g. Willingness and ability to trust the partnership;
- h. Allow time for processes, attempt synchronization.



### **8.2.39 Customer service focus**

The collected success factors indicate that a customer service focus is a requirement for partnerships, and perhaps more so in partnerships where partners may become so involved in internal arrangements that they forget about the customer. Success factors clustered under this heading include:

- a. Right service at the right place at the right time;
- b. Understanding the value of clients' perspectives;
- c. Focus on high priority areas and clients (for example, deprived areas for social programmes);
- d. Customer satisfaction;
- e. Enhanced service delivery to communities.

### **8.2.40 Collaborative innovation**

This collective heading first emerged in a discussion on “shotgun partnerships” in Chapter 6 where it was found that innovation was used to strengthen one party in a partnership at the expense of the other party. The insight achieved from the discussion was that innovation should be collaborative, aiming for shared benefit. Success factors clustered under this heading include:

- a. Flexibility to exploit opportunities;
- b. Focus on innovation and improving the status quo.

### **8.2.41 Satisfying context-specific legal requirements, such as BEE in South Africa**

This stand-alone success factor indicates that context-specific legal requirements need to be adhered to and satisfied in order to have successful partnerships.

### **8.2.42 Commitment**

The collected success factors brought the realisation that a high degree of commitment may be required to carry through a partnership and make it work. Success factors clustered under this heading include:

- a. Commitment to partnership goals;
- b. Commitment and resilience to setbacks.

#### **8.2.43 Knowing when to end a positive relationship**

This final category of success factors stems from two identified success factors, both related to the lifespan of a PPP. The first of these two success factors became the collective heading which also applies to the second success factor, which mentioned post-project survival of partnerships. The message in terms of PPPs from these two success factors is that the existence of a positive relationship is no reason to perpetuate the life of a PPP and further cautions that there is a risk of much effort being put into trying to ensure the survival of a PPP purely for the sake of survival instead of for the sake of a project or public service delivery. The success factors from this collective heading can therefore be summarised as:

- a. Know when to end a positive relationship;
- b. Beware efforts to perpetuate PPPs' life beyond project completion purely for the sake of survival.

This then concludes the listing and discussion of individual identified success factors.

#### **8.2.44 Section Summary**

In this section the final and complete list of success factors that were identified in this dissertation was presented. The next section will summarize the methodology used and knowledge generated in this dissertation.

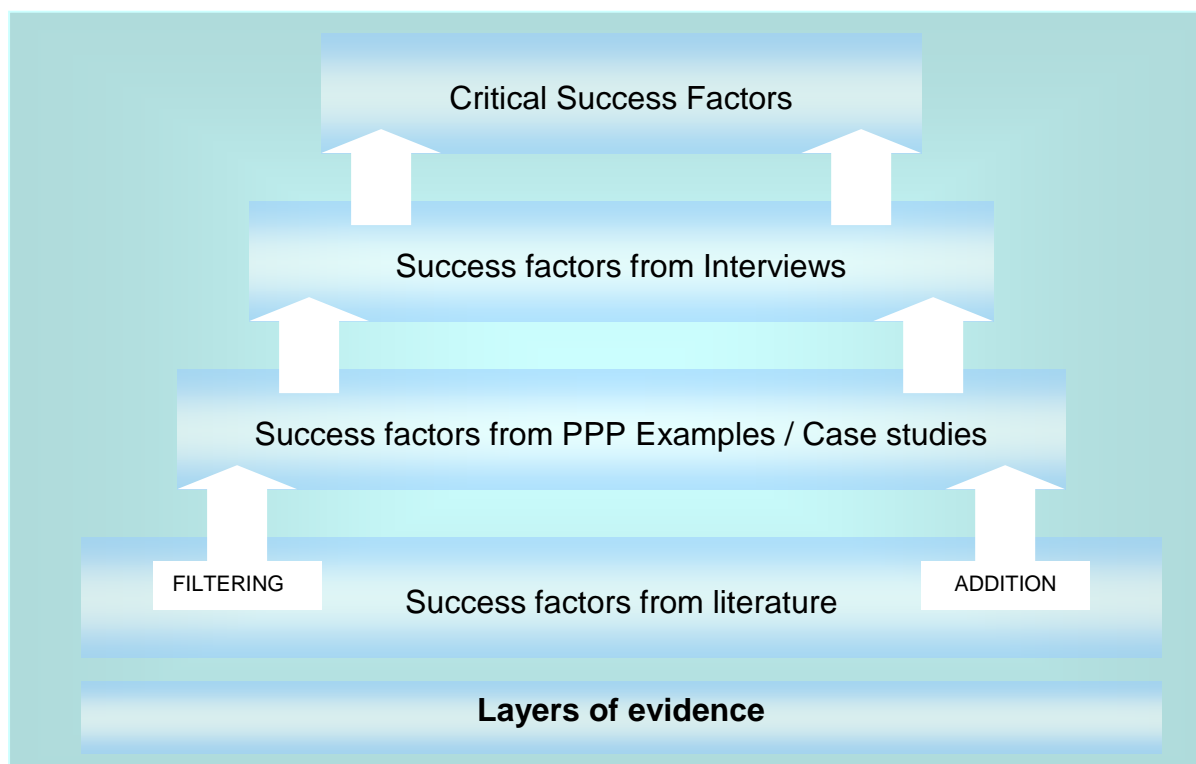
### **8.3 *METHODOLOGY USED AND KNOWLEDGE GENERATED***

In the previous section, a synthesis of all the critical success factors identified in this dissertation was presented. In this section the methodology used in the research process in this dissertation as well as the knowledge generated in this dissertation will be summarized. The study was of an exploratory, hypothesis-generating nature and the process steps followed in the research will be described in the next section. The exploratory research project commenced with an uncertain conception of what makes partnerships work, but the uncertainty became less and confidence became more as the argument moved from literature to case studies to the opinions of

respondents. This research project has been a journey of learning and discovery which started in 2005 and came to a conclusion in 2011. The six years that passed as the research project progressed and evolved awarded the researcher with the opportunity to see many partnerships move through several life stages. During the full duration of the project the researcher maintained a media monitoring regime which made it possible to follow developments regarding specific partnerships over time. One prominent example is the Cape Town Stadium which moved from concept to reality in the research period. In the next section the process followed to identify critical success factors will be described.

### 8.3.1 Process steps in identifying critical success factors

Partnerships that exhibit good performance have been investigated in some detail to determine good practice, while evidently failed partnerships have been analysed for examples of what should be avoided or mitigated against in the creation and management of partnerships. The figure below illustrates how evidence was collected and filtered as the discussion progressed through the chapters.



**Figure 8.1: Layers of evidence in which success factors are identified also act as filters. Each success factor gains legitimacy if confirmed through other filtering levels.**

In **Chapter 1**, PPPs were defined, the evident popularity of partnerships in public service delivery was discussed and the need for guidance on critical success factors for such partnerships was motivated. The chapter includes the problem statement, the research design and methodology and the argument structure that was used.

In **Chapter 2** an overview of PPPs and other public service delivery partnerships was commenced with more detailed discussion on the history of partnerships, the defining elements of partnerships, definitions relating to partnership, reasons for partnering, the uses of partnership, and the purposes for which partnerships are used. The history of partnerships was discussed. Where opinions on success factors were prominent they were recorded and listed at the end of Chapter 3 for further discussion in later chapters. In **Chapter 3** the overview of PPPs and other public service delivery partnerships was continued. The variety of partnership forms and governance arrangements for partnerships was discussed. Where opinions on success factors were prominent they were recorded and listed at the end of the chapter for further discussion in later chapters. At the end of the chapter, a start was made with the design of a framework for the evaluation of partnerships which would be further developed in later chapters for eventual use in evaluating case studies.

**Chapter 4** was specifically intended to capture the opinions available in literature regarding success factors for partnerships. These opinions were listed as an untested source of factors which was analysed in later chapters. In this chapter, perspectives from related disciplines and concepts were also explored and where appropriate, added to the untested list of success factors. The framework for partnership evaluation that was commenced in Chapter 2 was expanded at the end of Chapter 3 and was the main topic of discussion in the next chapter.

The goal of **Chapter 5** was to discuss ways of evaluating partnerships and to define an appropriate success measure for partnerships. Upon the conclusion of the chapter a simple and robust success measurement instrument was proposed. Once again, where success factors become apparent in the discussion, they were listed at the end of the chapter for analysis in later chapters.

In **Chapter 6** several examples of partnerships were discussed, based on the success measuring instrument developed in Chapters 4 and 5. Several examples each of apparently failed or successful partnerships were described. The examples were chosen to provide as representative a sample as possible from a wide variety of countries, sectors and types. Particular attention was paid to presenting a wide variety of examples from South Africa. The discussion was based on findings from research described in literature, from expert interviews and questionnaires, and from direct observation by the researcher. Success factors were collected from each case study and listed at the end of the chapter for further discussion in Chapter 7.

In **Chapter 7** success factors identified in all previous chapters through literature study, expert interviews and questionnaires as well as case study analysis in literature and through direct observation were compared in an effort to see whether any pattern could be discerned regarding factors that influence the success of partnerships. Where patterns became apparent, the success factors that define those patterns were captured and listed for further discussion in Chapter 8.

In **Chapter 8** the results of the pattern search from the previous chapters are consolidated and presented with the aim of identifying critical success factors for public service delivery partnerships. The Chapter also summarizes the research question, premise, research methodology and arguments presented in this dissertation, and will present the conclusions regarding critical success factors for public service delivery partnerships with a related hypothesis on the critical success factors for public-private partnerships and similar instruments.

### **8.3.2 New knowledge generated**

This dissertation and research project has contributed a methodology to derive performance indicators from definitions; it has proposed a PPP characterization framework for evaluation; developed a new comprehensive encompassing definition of the PPP concept, and has provided a new understanding of the life cycle of a PPP. A study of evaluation has become an implicit part of this investigation, and a new PPP success or performance measurement instrument was also created in this dissertation. The main contribution of the dissertation is the extensive collection of

success factors that have been identified and the methodology used to collect them. This study will contribute to the public management body of knowledge by covering new ground in terms of the evaluation and management of public-private partnerships. In the next section challenges that were experienced in trying to identify critical success factors will be highlighted.

#### **8.4 CHALLENGES IN IDENTIFYING CRITICAL SUCCESS FACTORS**

Challenges to the identification of success factors included the promotional / public relations nature of PPP case study literature and the significant resources required just to be able to comprehensively describe a PPP. The significant resources required to conduct case study comparisons forced the researcher to develop an alternative research methodology which would not require in-depth case study analysis. In the next section the circumstances under which PPPs would be appropriate service delivery vehicles will be explored.

#### **8.5 WHEN TO USE PARTNERSHIP AS DELIVERY VEHICLE**

The analysis of the PPP concept in this dissertation has shown that PPPs exist and are successful in a wide variety of settings and sectors. It seems as if a PPP could potentially be used in almost any circumstance. However, based on the success factors identified in this dissertation, it seems that a PPP is most useful where the public sector is failing to provide a public need for which a market exists. There are more externalities to consider, such as whether a supportive environment exists, and whether appropriate private sector partners are available and would be interested in the project. The success factors mentioned would guide the public manager in a decision about when to use PPP as a delivery mechanism and when not to. One interesting nuance is that a PPP would not be a good idea if there is a lack of financial management skills in the public sector, because a successful PPP is also reliant on skills in the public sector. This seems counter-intuitive when considering that PPPs are normally seen as ways in which to help the under-capacitated public sector. Each of the success factors indicated in the comprehensive list of success factors presented in this chapter can serve to guide the decision-making of public managers regarding when to use PPPs as service delivery vehicles. It is however accepted that the list may be somewhat daunting and that each factor could require

considerable effort to realise. It is therefore suggested that re-packaging the success factors into a format which is less intimidating could be a useful follow-on project to this dissertation. In the next section implications for performance evaluation will be discussed.

## **8.6 IMPLICATIONS FOR PERFORMANCE EVALUATION**

The evaluation of PPPs has several implications for performance evaluation in the public sector. Indicators that can point out success or failure of PPPs will also have some bearing on the performance of the public sector partner participating in the PPP. The indicators developed in this dissertation should therefore be considered as potential performance evaluation indicators in the public sector. In the next section the most critical success factors that have been identified will be discussed.

## **8.7 CRITICAL SUCCESS FACTORS**

A wide variety of success factors were identified through the process used in this dissertation. A total of 466 individual success factors were identified from Chapter 2 to Chapter 7. These factors were reduced to 43 individual headings with underlying collections of a total of 324 success factors. Even with the 43 collective headings, once confronted with the large collection of success factors, the understandable reaction would be to enquire whether one could isolate the truly critical success factors from the bigger collection. In Chapter 6, in order to enable the face value evaluation of incompletely described PPPs, a two-point evaluation instrument was developed and utilised. This tool only considers whether a public service is provided, and whether the partnership is achieving its goals. The satisfaction of these two requirements leads to a provisional declaration of the success of the PPP under consideration. The implication is that these two success factors are the most critical of all the factors identified in this dissertation. In the next section a hypothesis will be formulated.

## **8.8 HYPOTHESIS**

As stated in the introductory chapter where the research design was described, an exploratory, hypothesis-generating approach was followed in this study. The

intention was not to test a hypothesis but rather to generate one – the study was seminal rather than definitive. This section is therefore dedicated to formulating a hypothesis based on the insights and comprehension of critical PPP success factors achieved through the study. In preparing to construct a new hypothesis, it is useful to reflect on the research question addressed in this dissertation, which is:

*“What are the critical factors that can be replicated that separate successful PPPs from PPPs that do not deliver or that collapse?”*

The answer to this question is that critically, two conditions must be met to make a PPP successful, and those two conditions are that the goals of the PPP must be achieved and that a public need must be satisfied. There are many additional success factors which can further define success and degrees of success, all of which are descriptions of desired conditions. A large collection of such success factors was developed in this study and this collection forms a reference point for the construction of a new hypothesis which can serve as the basis for future research. The hypothesis is that:

*If public managers are faced with a choice of service delivery options, and the use of a PPP is one option, and if the manager applies the recommended critical success factors identified in this dissertation, the manager will be able to determine whether a PPP would be an appropriate service delivery vehicle, and furthermore, if PPP is chosen as service delivery vehicle, the public manager would, through the application of the success factors identified in this chapter, have a greater chance of successful implementation of the PPP through purposeful collaboration.*

## **8.9 FURTHER RESEARCH OPPORTUNITIES**

The success factors identified within this dissertation and the processes used provide several avenues to explore in terms of further research. The first and obvious option would be to re-evaluate the proposed success factors through experimentation or detailed programme evaluation. From a public management perspective, and especially when considering that the public and development manager is prepared



for her or his career through studying public management, it may be useful to investigate whether current teaching methodologies are sufficiently preparing public managers for participating in collaborative ventures. The many human resources and skills-related success factors identified could provide a basis for such investigation. Another interesting avenue of research would be to compare the failure rate of PPPs and private firms. There is an untested opinion that PPPs may in fact be more likely to succeed than businesses are. Research could thus compare the percentage of businesses that fail with the percentage of partnerships that fail, and then look at the number of private partnerships that fail as a percentage against businesses in general that fail.

While considerable effort was spent in this dissertation to develop a success measurement instrument, the final product could not be implemented in a fully detailed analysis of a case study. While it may require considerable resources, a field test of the instrument to evaluate a significant sample of PPPs would provide valuable information on the validity of the tool. The instrument was designed to accommodate at least three levels of evaluation, but the supportive documentation for an in-depth analysis remains to be developed. Further research in this regard could be beneficial. There seems to be room for developing a guideline which could be used by private or non-governmental organizations to assess the characteristics and assets of possible public partners. While such an investigation is outside the scope of this dissertation, it is recommended as possible further research on the topic of PPPs. Another interesting and potentially valuable pursuit would be to use a much larger collection of PPP definitions than used in this dissertation and take the analysis of definitions to identify success factors which can in turn be used to redefine PPPs even further with a view to arriving at a definition which becomes stable because it already encompasses all possible descriptive components. Finally, it is critical that an independent comprehensive, detailed, comparative case study analysis of a significant sample of South African PPPs is carried out to expand the scientifically valid information regarding PPPs and mitigate the reliance of researchers on either the constantly negative reporting from organized labour or the consistently promotional nature of publications from the pro-PPP organizations.

## **8.10 CHAPTER SUMMARY**

This final chapter commenced with the presentation of the final consolidated list of success factors identified in this dissertation, and then provided a summary of the dissertation and the process which was followed to identify critical success factors for PPPs. The process steps followed were described and the challenges that were experienced in the search for critical success factors were pointed out. Some suggestions were made about when it would be appropriate to use a PPP as public service delivery vehicle. Implications for performance evaluation were described, and a short description of critical success factors was provided before the new knowledge developed in this dissertation was presented. A hypothesis was forwarded and finally opportunities for further research were suggested.

The public-private partnership remains a viable and popular instrument for public service delivery. It is hoped that this dissertation will make a contribution to the further understanding and effective use of the PPP option by public managers.

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Chapter 3: PARTNERSHIP MECHANICS AND MANAGEMENT
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## 9 ABBREVIATIONS AND ACRONYMS

The following abbreviations are used in this dissertation:

APOPS	Asset procurement and operating systems
APU	accredited procurement unit
BOT	build-operate-transfer
BoTT	build-operate-train-transfer
CBO	community-based organization
CMIP	Consolidated Municipal Infrastructure Programme, South Africa
COSATU	Congress of South African Trade Unions
CPI	Consumer price index
DBOT	design-build-operate-transfer
DBSA	Development Bank of Southern Africa
DCF	Discounted cash flow
DFID	Department for International Development, UK
DPLG	Department of Provincial and Local Government, South Africa
DSCR	Debt service coverage ratio
DWAF	Department of Water Affairs and Forestry, South Africa
EIA	environmental impact assessment
EIB	European Investment Bank
EU	European Union
FINIDA	Finnish International Development Agency
GDP	gross domestic product
GEAR	growth, employment and redistribution strategy, South Africa
GNP	gross national product
GoSA	Government of South Africa
GPPI	Global Public Policy Institute
IDP	integrated development plan
IDS	Institute of Development Studies, UK
IDTT	interdepartmental task team
IIED	International Institute for Environment and Development
ILO	International Labour Organization
IRR	Internal rate of return
LED	local economic development
MIIF	Municipal Infrastructure Investment Framework, South Africa
MIIU	Municipal Infrastructure Investment Unit, South Africa
MoU	memorandum of understanding
MSP	Municipal Service Partnership
MTEF	Medium Term Economic Framework
NBI	National Business Initiative, South Africa
NCPPP	National Council on Public-Private Partnerships
NEDLAC	National Economic Development and Labour Advisory Council, South Africa
NGO	non-governmental organization
NPV	Net present value
NRA	National Roads Agency
OECD	Organization for Economic Coordination and Development
OJEU	Official Journal of the European Union

OJEC	Official Journal of the European Communities - published by the Office for Official Publications of the European Communities
P4	Property Public-Private Partnership
PFI	Private Finance Initiative
PFMA	Public Finance Management Act, 1999
PPIAF	Public-Private Infrastructure Advisory Facility, World Bank
PPP	Public-Private Partnership
PPPU	Public-Private Partnership Unit of the SA Treasury
PPPUE	Public-Private Partnerships for the Urban Environment, UNDP Programme
PSC	Public sector comparator
PSP	Private sector participation
PUK	PartnershipsUK
RDP	Reconstruction and Development Plan, South Africa
RFP	Request for proposals
RFQ	Request for pre-qualification / request for qualifications
RSA	Republic of South Africa
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
Sanral	South African National Roads Agency Ltd
SATRA	South African Telecommunications Regulatory Agency
SEED	The SEED Initiative – Supporting Entrepreneurs for Sustainable Development
SIDA	Swedish International Development Agency
SPV	Special Purpose Vehicle
SWOT	strengths, weaknesses, opportunities and threats
ToR	terms of reference
TRAC	Trans African Concessions (Pty) Limited
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WSP	Water and Sanitation Programme, International
WSSA	Water and Sanitation Services South Africa

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## 11 ANNEXURE A: PPP ENABLERS PER COUNTRY

This annexure contains a list of countries with institutional support for PPPs. The table below provides information on the countries concerned, the name of the enabling body, and a description of the enabling body. The descriptions are mostly copied verbatim from the write-ups provided by the organisations themselves, if such a write-up exists. A detailed supporting listing of these enablers with the relevant contact details will be provided at the following web address: <https://sites.google.com/site/pppresources/>.

**Table 11-1: List of PPP enablers / central PPP implementing units per country**

Country	Enabling body	Description
<b>Australia</b>	Infrastructure Partnerships Australia	Infrastructure Partnerships Australia draws the public and private sectors together to promote best practice in the identification, design and delivery of nationally significant infrastructure assets and services.
<b>Australia (South Australia)</b>	Projects and Government Enterprises Branch (PGE)	Projects and Government Enterprises Branch (PGE) facilitates private sector participation in infrastructure development where appropriate. Located in the Department of Treasury and Finance, the Branch reports directly to the Under Treasurer. Agencies are required to consult with PGE in regard to all public-private partnerships in South Australia.
<b>Belgium</b>	Vlaams Kenniscentrum PPS	In 2002, the Flemish regional government established a PPP Knowledge Centre. The Walloon region is now considering developing a similar PPP unit.
<b>Brazil</b>	PPP Unit in the Federal Ministry of Planning, Budget & Management	PPP Council, PPP Unit, Ministério do Planejamento, Orçamento e Gestão
<b>Canada</b>	PPP Canada	PPP Canada was created as a Crown corporation with an independent Board of Directors reporting through the Minister of Finance to Parliament. The Corporation became operational in February 2009 with the appointments of a Chair of the Board of Directors and a Chief Executive Officer. PPP Canada's mandate is to improve the delivery of public infrastructure by achieving better value, timeliness and accountability to taxpayers, through P3s. PPP Canada was created to deliver more P3s by leveraging incentives, demonstrating success, and providing expertise; and to deliver better P3s by promoting P3 best-practice, and capacity-building.
<b>Czech Republic</b>	PPP Centrum	PPP Centrum a.s. (joint stock company) was formed on the 1st of July 2004 under authority of the government decree. PPP Centrum's only shareholder is the Ministry of Finance of the Czech Republic (MF CR). PPP Centrum was established to speed up preparation of legal environment and methodological procedures in relation to PPP in the Czech Republic. Its public mission is to apply the best practice knowledge in governance and preparation of



Country	Enabling body	Description
		PPP projects. At present, PPP Centrum acts as a knowledge centre for implementation of PPP projects.
<b>Denmark</b>	The Competition Authority	The Danish Finance Act of 2010 reinforces the effort of promoting Public-Private Partnerships (PPP). The law devotes 10 million DKK annually to the promotion of PPP in the municipalities and regions in Denmark. A fund is created to strengthen development and market maturation of Public-Private welfare solutions. In the future, the work regarding Public-Private Partnerships will be performed jointly by The Danish Enterprise and Construction Authority, The Danish Competition Authority, Udbudsportalen and Udbudsrådet. As a consequence of the new assignment of responsibilities between the parties, the PPP Task Force and the co-financing pool administered by The Danish Enterprise and Construction Authority ended on January 1st 2010.
<b>Egypt</b>	PPP Central Unit, Ministry of Finance. Ministry of Investment: PPP Section	The Unit is in charge of the study, application, implementation as well as coordination with line Ministries and with the Private Sector to develop this PPP theme in a policy framework and a clear action plan. A "Centre of Expertise" which is vested with the Mission to introduce and communicate the Public Private Partnership policy, to develop practice and to take a vital role in the delivery of the initial projects. The Centre will bring in support and experience from domestic and overseas experts. It is a department of the Ministry of Finance that is charged by Government to oversee and implement the policy.
<b>Ethiopia</b>	Ministry of Finance and Economic Development	No additional current data available
<b>France</b>	Mission d'appui aux PPP, Ministère de l'Économie, de l'Industrie et de l'Emploi, France	PPP unit, 'Les Partenariats Public-Privé'. A Decree of 19 October 2004 provided for the creation of a specialised governmental taskforce (the Mission d'appui à la réalisation des contrats de partenariat or MAPPP), which was established on 27 May 2005 by the Minister of Economy and Finance. This body is responsible for the preliminary evaluation (a mandatory obligation) of all Partnership Contracts contemplated by the French State (local governments are not obliged to consult with the MAPPP for this evaluation) and which may assist public entities (and not only the State) in the preparation, negotiation and follow up of their Partnership Contracts. It must report on the effective use of Partnership Contracts and can propose legislative changes to the government. Similar bodies have been established by the Ministry of Defence, the Ministry of Justice (the Agence de Maîtrise d'Ouvrage des Travaux du Ministère de la Justice or AMOTMJ) and the Ministry of Health (Mission Nationale d'Appui à l'Investissement Hospitalier or MAINH)
<b>Germany</b>	Public Private Partnership Taskforce, BUNDESMINISTERIUM FÜR VERKEHR, BAU UND STADTENTWICKLUNG (Ministry of Transport and Urban Planning)	In order to develop PPP in Germany, so-called "PPP Task Forces" or "Centres of Competence" have been set up by the Federal Government as well as by several regions. These task forces mainly collect and distribute information, gather details of transactions to establish best practices and try to compile non-binding standard documents. They also organise conferences on PPP and facilitate networking between the different players in the PPP sector. They do not have any legal competence.

<b>Country</b>	<b>Enabling body</b>	<b>Description</b>
<b>Greece</b>	Special Secretariat for PPPs at the Ministry of Economics and Finance of the Hellenic Republic	In addition to the Special Secretariat, an interministerial PPP committee was set up to approve PPP projects and contractual payments to private entities. It is chaired by the Minister of Economics and Finance and makes decisions on the basis of proposals by the Special Secretariat
<b>Hungary</b>	The Ministry of National Development of The Republic of Hungary	The Government has set up an intra-governmental committee that coordinates the PPP projects organised by the different ministries, prepares the necessary legislation and comments on PPP plans
<b>India</b>	PPP Cell, Department of Economic Affairs, Ministry of Finance	The Government has supported the creation of nodal agencies such as the PPP Cells at a State or sector level. The Government has established an appraisal mechanism for PPP projects. The Cabinet Committee on Economic Affairs of the Government has created the PPP Appraisal Committee (PPPAC)
<b>Ireland</b>	Central PPP Unit in the Department of Finance and also the National Development Finance Agency (NDFA), The Ministry of Finance of the Republic of Ireland	The role of the Central PPP Unit in the Department of Finance is to facilitate the PPP process centrally, by developing the general policy framework (including, where necessary, the legal framework) within which PPPs operate and by providing central guidance to Departments and other State Authorities in that context. Ireland has extended the functions of its National Development Finance Agency (NDFA) to allow it to procure a Centre of Expertise for procuring Public Private Partnership projects on behalf of State authorities. Through this legislation, the NDFA is allocated a new procurement function giving the Agency the power to enter into PPPs with a view to transferring them to the relevant State authority, or to act as agents for State authorities for PPP procurement.
<b>Italy</b>	UNITÀ TECNICA FINANZA DI PROGETTO - PRESIDENZA DEL CONSIGLIO DEI MINISTRI DELLA REPUBBLICA ITALIANA	A PFI Unit (Unità Tecnica Finanza di Progetto – UFP) was established by Law 144/99. The UFP belongs to the Ministry of Economy and Finance and reports to the inter-ministerial Committee for Economic Planning (CIPE: Comitato Interministeriale per la Programmazione Economica). UFP should assist the awarding authorities in connection with their PFI exercise. However (differently from the UK Treasury Taskforce, precursor of the current Partnerships UK), the UFP has no power of initiative and awarding authorities are not bound to seek its assistance. Several Regions have set up their own task forces to promote PFI/PPP projects at a local level (e.g. Infrastrutture Lombarde S.p.A. – ILSPA in Lombardy).
<b>Japan</b>	Japan PFI Association	A unique NPO that supports its activities through membership fees collected from member organizations in the private and public sectors.
<b>Korea</b>	Public and Private Infrastructure Investment Management Center, Korea	In Korea the Public and Private Investment Management Center (PIMAC) plays an essential part in evaluating feasibility studies and bids. Private participation in infrastructure has picked up considerably since the government created PIMAC's predecessor, the Private Infrastructure Investment Center of Korea (PICKO), in 1999.
<b>Latvia</b>	Latvian Investment and Development Agency (LIDA)	The Ministry of Economics and its supervised agency “Latvian Investment and Development Agency” (LIDA) were designated as responsible state institutions for elaborating the PPP policy and promoting the PPP. In order to improve the cooperation between competent PPP bodies, an advisory PPP council was established operating as an advisory and

Country	Enabling body	Description
		coordinating body and having the objective of promoting a unified development of the PPP policy and its implementation.
<a href="#">Mauritius</a>	Public-Private Partnership Unit of the Ministry of Finance	The PPP-Unit was established on July 1, 2002 at the Ministry of Finance and Economic Development. The role of the Unit is to deal with all PPP projects especially those which have financial and other contingent implications for Government.
<b>Mexico</b>	PPS Programme Technical Task Force within Ministry of Finance	PPS Programme (Provision of Public Services) on UK PFI model. Inter-sectorial committee has been established, as well as a Technical Taskforce within the Ministry of Finance. Also: Programa para el Impulso de Asociaciones Público-Privadas en Estados Mexicanos (PIAPPEM)
<b>Netherlands</b>	PPP Knowledge Centre (Ministry of Finance)	The PPP Knowledge Centre, which is part of the Ministry of Finance, was established on 1 January 1999 and has two main functions: to gather knowledge and experience, and to assist in the formulation of government policy on partnerships between the public and private sectors. The PPP Knowledge Centre acts as a kind of central information desk and adviser for all public-sector bodies interested in this kind of cooperation. To that end the PPP Knowledge Centre has established policy guidelines for the government's use of financial instruments in PPP projects, a list of basic prerequisites for a successful PPP, checklists for the different PPP contract types, guidelines for risk and contract management etc.
<b>Nigeria</b>	Ministry of Privatization and Enterprise Restructuring	The FGN established, in June 2003, the Budget Monitoring and Price Intelligence Unit (BMPIU), which generally has the goal of ensuring full compliance with laid down guidelines and procedures for the procurement of capital projects as well as associated goods and services. Although it was not specifically set up to oversee any PFI/PPP regime, the BMPIU has the mandate of verifying contract terms and prices for all public sector contracts at the federal level. It can thus, to a certain extent, be said to be the pioneer unit set up to oversee PFI/PPP at the federal level with regards to contracts that come within its jurisdiction.
<b>Poland</b>	Centrum PPP, THE MINISTRY OF ECONOMY OF THE REPUBLIC OF POLAND	Centrum PPP is a newly established unit (since 10 of July 2008.), with a main purpose to promote public-private undertakings in Poland on a non-profit basis. We believe PPP to be a solution perfectly answering challenges lying ahead of the Polish public service. Centrum PPP to perform the role of government agency in preparation of the best practice standards and PPP promotion in Poland. Centrum PPP was founded by 41 entities including banks, law firms, consulting companies, firms, regional development agencies, foundations, associations, chambers and business agencies. The Centrum enjoys strong support of the Polish government – presently an agreement between Centrum PPP and The Polish Government is being drafted obliging Centrum PPP to perform the role of government agency in preparation of the best practice standards and PPP promotion in Poland.
<b>Portugal</b>	PARPUBLICA S.A.	Parpublica SA is a state firm which acts as a PPP knowledge centre and advisor to the Portuguese Finance Minister.

<b>Country</b>	<b>Enabling body</b>	<b>Description</b>
<b>Romania</b>	NASSPA	Under GEO No. 34/2006 and GEO No. 54/2006, the body overseeing the PFI/PPP regime is the N.A.S.S.P.A.
<b>Senegal</b>	PPP Unit within Ministry of Finance	had something on World Bank website but could not read it
<b>South Africa</b>	PPP Unit (SA Treasury)	In April 1997, the South African Cabinet approved the appointment of an inter-departmental task team to develop a package of policy, legislative and institutional reforms to create an enabling environment for PPPs. Pioneering PPP projects were undertaken between 1997 to 2000 by the SA National Roads Agency for the N3 and N4 toll roads; by the Departments of Public Works and Correctional Services for two maximum security prisons; by two municipalities for water services; and by SA National Parks for tourism concessions. Drawing early lessons from these projects and from international experience, a Strategic Framework for PPPs was endorsed by Cabinet in December 1999, and in April 2000, Treasury Regulations for PPPs were first issued in terms of the Public Finance Management Act (Act 1 of 1999). By mid-2000, with technical assistance funding from USAID, GTZ and DFID, the PPP Unit was established in National Treasury with five professional staff members drawn from both the public and private sectors. National Treasury's PPP Unit now comprises five cross-functional desks: Financial, Legal, Business Development, Project Evaluation and Municipal, funded almost wholly by Treasury, with the remaining donor support phasing out in 2005. Each professional staff member gives hands-on technical assistance to a sector-specific (for example health, tourism, IT, accommodation) portfolio of registered projects, and each also gives his/her specialist (eg financial, legal, BEE) advice on every regulated PPP project at various phases in the PPP project cycle. All PPP Unit staff members are active in ongoing policy formulation and training.
<b>Tanzania</b>	Tanzania Investment Centre	No additional current data available.
<b>Uganda</b>	Privatisation Unit of the Ministry of Finance, Planning and Economic Development	PPP Unit proposed, decision due in 2011
<b>United Kingdom</b>	PartnershipsUK, InfrastructureUK, Local Partnerships UK	PartnershipsUK (PUK) is a Public-Private Partnership which has a unique public sector mission: to support and accelerate the delivery of infrastructure renewal, high quality public services and the efficient use of public assets through better and stronger partnerships between the public and private sectors. PUK, formed in 2000 out of HM Treasury, is a joint venture that bridges the gap between public and private sectors, with a majority stake held by the private sector. PUK was dissolved in 2010 and replaced by InfrastructureUK and Local Partnerships UK.
<b>United Kingdom (Ministry of Defence)</b>	The Public/Private Partnership Unit, Ministry of Defence	The PPPU acts as the MoD's focus for PFI and other public-private partnership initiatives.

<b>Country</b>	<b>Enabling body</b>	<b>Description</b>
<b>United States</b>	National Council for Public-Private Partnerships	The mission of The National Council for Public-Private Partnerships is to advocate and facilitate the formation of public-private partnerships at the federal, state and local levels, where appropriate, and to raise the awareness of governments and businesses of the means by which their cooperation can cost-effectively provide the public with quality goods, services and facilities.
<b>Zambia</b>	Originally the Privatization Agency, since 2009 the PPP Unit in the Ministry of Finance	Established a Public Private Partnership (PPP) unit in the Ministry of Finance and National Planning in 2009
<b>Inter-national</b>	World Bank UNDP European PPP Expertise Centre (EPEC), European Investment Bank	

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## **12 ANNEXURE B: QUESTIONNAIRE TABLES**

### **12.1 QUESTIONNAIRE RESPONSE TABLES**

For each question, replies were put into a table. All replies were listed below each other and similar answers were grouped together.

In one case, where the respondent was responding to Question 2: “Most frequent mistakes”, a positive statement that slipped, possibly due to the respondent forgetting the tone of the question, was changed to a negative statement, while keeping the meaning, i.e. “Putting together a good team” was replaced by “Not putting together a good team”.

**Table 12-1: Respondent answers to survey questions**

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
1	<ol style="list-style-type: none"> <li>1. Failure of the 2 to understand exactly how the other functions and their limitations</li> <li>2. Allowing inexperienced/unqualified persons to be involved at an important level</li> <li>3. Failure to meet deadlines</li> </ol>	<ol style="list-style-type: none"> <li>1. Total commitment to achieving goals</li> <li>2. Ability of staff to grasp and understand the goals and objectives</li> <li>3. Failure to implement/follow through on checks and controls required</li> </ol>	<ol style="list-style-type: none"> <li>1. Weather service and Disaster Risk Management</li> <li>2. Relief NGOs</li> <li>3. Golden Arrow bus service and DRM/COCT</li> <li>4. Trauma council and DRM/COCT</li> </ol>	<ol style="list-style-type: none"> <li>1. Relief NGOs (there are successes and failures in this partnership)</li> <li>2. Golden Arrow bus service and DRM/COCT (as above)</li> </ol>
2	<ol style="list-style-type: none"> <li>1. lack of communication</li> <li>2. lack of understanding of the other side's position and problems</li> <li>3. wrong/too high expectations</li> </ol>	<ol style="list-style-type: none"> <li>1. successful partnership should be a win-win-situation, so both should benefit, everything else I would classify as failed</li> </ol>	<ol style="list-style-type: none"> <li>1. CEDIM/cedim AG (the one I am involved in) – sorry, I don't have much knowledge about others, so I am not of great help here. Note by researcher: Interesting point – if you are involved in one you are not necessarily interested in PPP's, you are rather just doing your specific job.</li> </ol>	
3	<ol style="list-style-type: none"> <li>1. Setting up the partnership and then doing nothing to maintain it</li> <li>2. Not setting up common goals</li> <li>3. New people in charge are not aware of the details of the partnership</li> </ol>	<ol style="list-style-type: none"> <li>1. Common Goals</li> <li>2. Communication</li> <li>3. Joint testing of DR plans</li> </ol>	<ol style="list-style-type: none"> <li>1. Chile has the private and public sectors do their DR testing for a week every year</li> <li>2. Nassau LI Community does joint testing</li> <li>3. Place in NYC are setting up partnerships and have a web set up for sharing information</li> </ol>	<ol style="list-style-type: none"> <li>1. NYC set up a programme to train Private CPE group on Hazmat - On 911 the members were not called in because the new people in charge did not know about it. Also, the DB with the names was not backed up and the information was lost.</li> </ol>
4	<ol style="list-style-type: none"> <li>1. Establishing unattainable goals</li> <li>2. partnerships are between individuals rather than organizations (so when one person leaves, the partnership falters)</li> <li>3. partnerships are not given enough time to develop and evolve</li> <li>4. Assuming the partnership has to be with a for-profit corporation</li> </ol>	<ol style="list-style-type: none"> <li>1. They become institutionalized/ a regular part of day to day business</li> <li>2. They adapt to changes in the community.</li> <li>3. Buy in from all parts of the organizations, from the leadership to the grassroots</li> <li>4. All the partners benefit in some way</li> </ol>	<ol style="list-style-type: none"> <li>1. The biggest example in the US is called Project Impact, a FEMA funded programme developed in the late 1990s and later cut by the Bush Administration. Some communities, like Seattle, Washington still have a Project Impact programme and are vocal proponents. This project provided funding to encourage, among other things, public-private partnerships.</li> <li>2. Hurricane Expositions. This is a relatively new phenomenon in the US. They can include convention hall exhibits of disaster-resistant products like storm shutters and windows, building supplies/techniques, as well as information on government programmes and services and emergency preparedness. They can also be smaller events in the parking lot of a building supply/hardware store like Home Depot (maybe like MICA in SA) where do-it-yourselfers and local construction workers can get information on how to do disaster</li> </ol>	<ol style="list-style-type: none"> <li>1. The Research Triangle Park area of North Carolina, USA, received a Project Impact grant of about \$100,000 around 2000 or 2001. However, the many cities and counties in the area were unable to agree to work together. The partnership failed to get buy in from the various participants before getting started and they ended up returning the grant funds.</li> </ol>



Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
			reduction projects (and the store can get their business). At the beginning of hurricane season, nearly all these types of stores in coastal areas offer package deals for hurricane emergency preparedness kits (with batteries, radios, flashlights, tarps) where the store benefits and the public is better prepared.	
5	<ol style="list-style-type: none"> <li>Public not adequately trained/informed by PPP-leading to distrust in Public</li> <li>Public not given continual feedback and further education/information - leading to breach of contract</li> <li>Public representatives often want personal gain - leading to distrust in private sector</li> </ol>	<ol style="list-style-type: none"> <li>Continual education of all involved</li> <li>Continual sharing of information as project progress - all involved</li> <li>Exposing public/community leaders who want personal gain</li> <li>Developing a very good relation/trust with the chief and elders of the area, even if they are represented by another elected body</li> <li>Continually showing benefit to community to elders as project progresses and give credit to them</li> </ol>	<ol style="list-style-type: none"> <li>Battle to find them, I know of failures</li> </ol>	<ol style="list-style-type: none"> <li>A Re Phepafatseng community/NW government project - Mafikeng</li> <li>Soweto - ANC youth league project/Sappi: Recycling with door-to-door collection</li> <li>Randburg recycling project: Des D'Ligneres/E L Bateman/ municipality</li> </ol>
6	<ol style="list-style-type: none"> <li>not continuing the process</li> <li>not enough training for generating a similar concept for a unique thought to increase the status of partnership</li> <li>misunderstanding by some of the people about partnerships</li> </ol>	<ol style="list-style-type: none"> <li>continuity</li> <li>training and education</li> <li>good and clear law and administration</li> </ol>	<ol style="list-style-type: none"> <li>religious house ceremonies</li> <li>greenery planned partnerships</li> <li>school teachers activities for the poor</li> </ol>	
7	<ol style="list-style-type: none"> <li>PPP dissolved due to political pressure</li> <li>Changing financial conditions</li> <li>Lose focus</li> </ol>	Proper planning		
8	<ol style="list-style-type: none"> <li>The ever present possibility of corruption and nepotism</li> <li>Political influences on service delivery</li> </ol>	<ol style="list-style-type: none"> <li>Enhanced service delivery to communities</li> <li>Quality and reliability of services/products</li> <li>Ability of companies to really deliver</li> <li>Private partners' sustainability</li> </ol>	DWAF agreements with irrigation boards/water user associations	
9	<ol style="list-style-type: none"> <li>The failure to pay full costs of the project -- usually indirect costs are underestimated and corporate general and administrative, indirect or core costs such as fund raising are ignored or limited.</li> <li>Small, local NGOs have no knowledge of their real cost(s) structure, nor reasonable and customary ways to identify and recover those costs. This observation is based specifically on 30+ years of experience of my own environmental NGO providing various forms of technical assistance and</li> </ol>	<ol style="list-style-type: none"> <li>Size and knowledge of both partners. Both elements are usually needed because it takes a certain excess of resources to develop a partnership with the attention and care that it needs, and because partnership design is really complicated - too often it is delegated to junior staff without the requisite experience.</li> <li>Stable personnel over the course of the partnership.</li> </ol>	<ol style="list-style-type: none"> <li>Beer companies and cricket teams</li> <li>Beer companies and rugby teams</li> <li>Beer companies and soccer teams</li> </ol>	<ol style="list-style-type: none"> <li>GEF (Global Fund for the Environment) partnership with a consortium of environmental NGOs in the Philippines 2002.</li> <li>GEF-Colombia with CORALINA of San Andres 2001</li> <li>TNC - Jamaica - country-wide conservation plan 1985</li> <li>EU (or Cariforum?) with the Caribbean Conservation Association 2001 -- CREP</li> </ol>

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
	<p>training for the management of small NGOs.</p> <p>3. Failure on the part of both parties to clearly define the time horizons, success measures, and evolution of the relationships for various timeframes of a partnership.</p> <p>4. Failure to identify the benefits and costs associated with networking and local logistics support that is frequently provided to projects by local NGOs.</p> <p>5. Failure of public authorities to understand that private (local, or national, small) organizations need to retain their own vision and mission, even if they accept a relatively large PPP grant.</p> <p>6. Failure on the part of public partners to protect the private partners and partnership commitments from shifts in priorities and public perceptions.</p> <p>[Note that some of the failures noted above are MIRRORED in conditions when a PRIVATE MEGA-NGO works with a small, local or national PUBLIC authority. In the small island states and dependencies of the Caribbean and South Pacific, there have been many examples of unsuccessful projects of this nature, which are often more accurately described as public-private-public partnerships in which bi-lateral or intergovernmental programmes and organizations team with mega-NGOs to inflict the latest development fad on local governments or agencies.]</p>			
10	1. Clear statement of the responsibilities of each part	1. planning	1. Barcelona has many successful projects	
11	1. There are no SMART goals defined 2. There isn't a broad sense of urgency and a clear understanding of the different kinds of interests with the participating partners	1. If the different criteria defined in question 2 are well-handled, then you will have a greater chance of a successful# PPS. If not, you will organize your own failure	1. The PPS between the safety region Rotterdam-Rijnmond and the Rotterdam Port Authority about organizing Port Security	

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
	<p>3. There is no clear organizational structure with clear responsibility lines within the PPP</p> <p>4. There isn't a business case made at the start of the PPP project in which not only the costs but also the return on investment is made clear. In the business case there is also a clear understanding of the critical success factors.</p> <p>5. The risk management isn't well organized</p>		<p>2. The PPS between the safety region Zuid-Holland Zuid and the water company Evides about organizing the vital infrastructure about drinking water</p> <p>3. The PPS about organizing risk communication between the safety region Rotterdam-Rijnmond and different companies and governmental bodies about the Year of Transport 2009.</p> <p>4. The PPS about cell broadcasting between Telecom providers as KPN, Vodafone en Telfort, and the ministries of Verkeer en Waterstaat, VWS, BZK en Economische Zaken.</p>	
14	1. The projections made use dubious calculations	1. community involvement	1. M7 Westlink Sydney	<p>1. Cross City Tunnel Sydney</p> <p>2. Lane Cove Tunnel Sydney</p>
15	<p>1. Unclear roles and responsibilities</p> <p>2. Junior officials from the public sector with limited jurisdiction are sent to meetings, hampering decision-making and wasting time</p> <p>3. Conflict between the legal mandate of the government departments (by law) and how they interpret policy (mismatch between their legal mandate and the implementation policies)</p> <p>4. Policies change every time a new political head is appointed, making long-term planning very difficult.</p> <p>5. Officials ignore any information that they do not understand or do not feel that they have the courage to defend in front of their bosses. Important aspects of the project are then planned sub-optimally, while senior officials are unaware or ignore what they don't want to hear.</p> <p>6. The best and most experienced officials are not used to participate in the partnership (or to represent the government department in negotiations) because they do not represent the "right" demographic profile.</p> <p>7. Both government departments and private sector participants are too ready to bend good financial governance.</p> <p>8. The tender process is cumbersome and</p>	1. The quality (knowledge, experience and commitment) of the main drivers of the particular project. It comes down to the people in charge - that makes all the difference	1. Can't think of any that were really unqualified successes	1. Local authorities and organized agriculture - trying to address intrusion of untreated sewage into rivers used for irrigation

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
	wastes huge amounts of time, and yet financial irregularities keep on occurring.			
16	<ol style="list-style-type: none"> <li>1. No real buy-in from public sector officials</li> <li>2. Lack of sustained communication between parties</li> <li>3. Both parties not being honest/frank regarding negative issues encountered.</li> </ol>	<ol style="list-style-type: none"> <li>1. Good research and communication on what the outcomes should be</li> <li>2. Sustained monitoring of the process/project</li> <li>3. Regular communication on progress</li> <li>4. Quick interventions to ensure positive outcomes.</li> </ol>	<ol style="list-style-type: none"> <li>1. City improvement Districts Cape Town</li> <li>2. Marketing of 107 PECC Cape Town?</li> <li>3. Toll Routes in SA?</li> <li>4. Payment of accounts at Pick 'n Pay, City of Cape Town</li> <li>5. Purchasing of pre-paid power at private outlets, CoCt</li> </ol>	<ol style="list-style-type: none"> <li>1. Metrorail and private security on trains (Rail Police (SAPS) re established )</li> <li>2. SAWS service to Eskom Koeberg (managing weather station at Koeberg )</li> </ol>
17	<ol style="list-style-type: none"> <li>1. The public officials are incapable of taking responsibility</li> <li>2. Political interference and officials interfere in projects and try to gain personally</li> </ol>	<ol style="list-style-type: none"> <li>1. Proper management</li> </ol>		<ol style="list-style-type: none"> <li>1. Diyatalawa apple project in the free State</li> <li>2. Mt Paul dairy project</li> </ol>
18	<ol style="list-style-type: none"> <li>1. Funding</li> <li>2. Not knowing what to do</li> <li>3. Taking the lead</li> </ol>	<ol style="list-style-type: none"> <li>1. Cost effective</li> <li>2. Taking the lead and responsibility</li> <li>3. Lack of departments to commit themselves because of other failed PPP programmes (specifically mentioned previous HOD)</li> </ol>	Not engaged in any partnerships in the past	Not engaged in any partnerships in the past
19	<ol style="list-style-type: none"> <li>1. The public side, especially researchers, not being willing to make the effort to communicate to the private sector on the private sector's terms.</li> <li>2. The private sector being too impatient for results and publicity and having a short attention span.</li> <li>3. The private sector not fully embracing corporate responsibility by making some work, including research, proprietary.</li> <li>4. All partners being more interested in high profile post-disaster work than in forgotten emergencies or disaster risk reduction.</li> </ol>	<ol style="list-style-type: none"> <li>1. Committed individuals in each institution being involved. Much of the success comes down to personal relationships, people who are willing to make things happen and to seek excuses to continue, rather than seeking excuses to complain.</li> <li>2. Patience, persistence, and a sense of humour.</li> <li>3. A medium-term commitment (2-5 years), but always thinking towards the long-term while seeking short-term, small-step successes and completed initiatives.</li> </ol>	<p>Examples of corporate responsibility for disaster risk reduction research are provided, but judging them as "successes" or "failures" is unfair. All projects have some successes and some failures.</p> <ol style="list-style-type: none"> <li>1. John Twigg's study <a href="http://www.benfieldhrc.org/disaster_studies/csr/csr_index.htm">http://www.benfieldhrc.org/disaster_studies/csr/csr_index.htm</a></li> <li>2. An overwhelming amount of material related to private insurance. I attach some samples, but I have much more, plus I mentioned my PhD already. <a href="http://www.ilankelman.org/phd.html">http://www.ilankelman.org/phd.html</a> While the topic covered by some of this material is not necessarily corporate responsibility or PPP, parts of the content are directly applicable to both these topics, even where it needs to be interpreted as such.</li> <li>3. ProVention <a href="http://www.proventionconsortium.org/?pagei">http://www.proventionconsortium.org/?pagei</a></li> </ol>	

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
			<p><a href="#">d=32&amp;projectid=12</a></p> <p>4. Utah <a href="http://www.amazon.com/Extending-helping-hand-responsibility-contribution/dp/B000EXDVUE">http://www.amazon.com/Extending-helping-hand-responsibility-contribution/dp/B000EXDVUE</a></p> <p>5. Nokia <a href="http://www.nokia.com/A4946176">http://www.nokia.com/A4946176</a> (and hundreds of other companies with similar pages).</p> <p>6. Willis Research Network <a href="http://www.willisresearchnetwork.com">http://www.willisresearchnetwork.com</a></p> <p>7. Linking insurance and science <a href="http://www.actuaries.org.uk/_data/assets/pdf_file/0009/26685/tsunami.pdf">http://www.actuaries.org.uk/_data/assets/pdf_file/0009/26685/tsunami.pdf</a> (project now finished).</p> <p>8. "Business continuity", "micro-insurance", and "micro-finance" are other examples of keywords where numerous publications, projects, initiatives, and ideas exist for disaster risk reduction. There are so many and they are so easy to find, that I do not provide any specifics.</p>	
20	<p>Not setting up common goals - but more fundamentally - not investing sufficient time and effort for both the parties involved to jointly explore and assess their respective interests, goals, and ways of working, expectations and (importantly) acceptable time frames. Some people also suggest that the "power imbalances" are not levelled out at the beginning and therefore uneven expectations or indicators of success continue until the enterprise founders.</p> <p>There is also always the Resources issue, with almost universal expectations that the source of the resources will come from the "private side" of the partnership.</p>	<p>Common shared purpose with the time and investment to pursue them. there is also a crucial need for both parties to recognize and accept that the only successful course is to build a middle way that does not fully subscribe to either party's wishes or needs. And that takes time, and related investments. Certainly a clear and commonly held statement of purpose is an essential starting point. But then that needs subsequent and serious sustained commitment too.</p>	<p>Project Impact - in some of the localities where it was adopted (e.g. Seattle)</p> <p>Probably some of the commitments during or post-Tsunami, but almost all of them were related to provision of emergency goods and services. Ericsson Communications has subsequently expanded its roles and outlooks. Also TNT, DHL and similar logistics on demand programmes for international emergencies may qualify as a success.</p> <p>Production of Natural Disaster management and Know Risk books by Tudor Rose Publishers, but pointedly <b>NOT</b> successive efforts to build on that for shared PPP involvement in upgrading and production of public awareness materials (on 2 occasions, with 2 different UN agencies)</p>	<p>IBM international committee for disaster reduction (ca. 1997-98)</p> <p>Many never got off the ground or beyond the rhetoric involved. Jon Twigg's paper on PPP realities in the later 1990s (1998 or so?) delve into several examples.</p>

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
			Probably the pharmaceutical industry vaccine programme with the UN (don't know the name of it)	
21	<p>1. No proper explanation of what is required on both sides</p> <p>2. No proper guarantees of what exactly each part of the relationship will bring to the project</p> <p>3. Must have a core of people on both sides that remain consistent throughout the project</p> <p>4. Over-commitment and under-delivery on either or both sides</p> <p>5. No set deadlines for critical delivery items</p>	<p>1. Committed people on both sides that want to make the partnership work</p> <p>2. Set goals and objectives that are agreed by all</p> <p>3. Constant flow of information between all parties in the partnership (regular feedback meetings)</p> <p>4. One point of entry into parties involved in the partnership</p> <p>5. Adherence to deadlines</p>	<p>1. Koeberg Emergency plan - despite many active role players and constant changes, the plan works.</p> <p>2. Study Buddy programme with Koeberg and the Atlantis schools</p> <p>3. Developing of women in Atlantis via Red Door organization</p>	<p>1. Building of children's ward with Atlantis Government hospital</p>
22	<p>1. no prior agreement on clear roles and responsibilities</p> <p>2. no true risk sharing</p> <p>3. lack of insurance against non-performance of another partner ( true to both private and public partners)</p>	<p>1. well align and mutually beneficial goals</p> <p>2. regular feed-back between partners</p> <p>3. staff exchange - both ways - private and public</p>	<p>1. Mostar bridge</p> <p>2. Alcan International Sustainability Award</p> <p>3. World Economic Forum Water Initiative</p>	
23	<p>Sharing of information a problem. Proper consultation about processes is lacking. Representivity are not based on true leadership from affected geographical boundaries.</p>	<p>Reliability and trustworthiness of nominated people to partnership with the mandates of service boundaries ensures success. Failures stems from opportunism and lack of popularity. Do not underestimate the ignorance amongst the masses out there. There is a saying: You must always know your people.</p>	<p>Bambanani , Community Safety Ke Moya Drug Abuse, Substance Abuse Programme, Dept of Social Development Social Security Pension Forums, Black Areas of Cape Metropole for the last two decades Disability Network with NGOs , Dept of Social Development</p>	<p>Ministerial Advisory Council, Dept of Social Development Community Based Forums for Municipality development , Integrated Development Planning, City of Cape Town</p>
24		<p>1. When the legislation frameworks, which organize the partnership, are ready.</p> <p>2. When the objectives of both sides are clear for both and the partnership is based on finding balance between both sides' objectives.</p> <p>3. When the public benefits are above the privet benefit.</p>	<p>Shell – the oil company in Oman</p>	<p>some tourism projects</p>

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
		4. When the community participates in the PPP relation.		
25	<p>1. Specific parameters and criteria for measuring success of the programme is seldom included in the contract</p> <p>2. Roles and responsibilities of parties not comprehensive enough and not clearly defined</p> <p>3. The head of the programme or project not skilled or dynamic enough to further develop and ensure sustainability</p> <p>4. Poor marketing strategies</p>	<p>1 Elected or Non elected Public officials who do not have compassion for the poor</p> <p>2. Inadequate funding</p> <p>3. Greed in the private sector</p> <p>4. Lack of understanding by decision makers in gov.</p>	<p>1. Ukuvuka</p> <p>2. Working on Fire</p>	1.Trauma Centre / CoCT
26	<p>1. Public partners must understand the core business and business plan</p> <p>2. Never bargain on promised funding (have plan B &amp; C in place)</p>	<p>1. Selling your plan not using the correct strategy (also see <u>attached</u>)</p> <p>2. No business plan or impractical business plan</p>	1. Ukuvuka	
27				
28	<p>1. Lack of understanding between public and private partners</p> <p>2. Based on individual interests, not on a sustainable "common objective".</p> <p>3. Flawed design, one/more missing element</p> <p>Explanation: When successful PPPs were evaluated near the end of the Clinton administration, these factors in successful PPPs were identified:</p> <p>1. Leadership in each partnership</p> <p>2. Trust between/among the leaders (forgiveness for statements meant for their "base")</p> <p>3. A Focus or a common objective (something to accomplish)</p> <p>4. Resources (material, human or financial)</p> <p>These were noted in priority order, e.g. resources alone did not make a success.</p>	<p>1. Successful: Accomplished a measurable objective (short or long term)</p> <p>2. Failed: Built on unproven assumptions (looking like slam dunks, often are NOT possible)</p> <p>3. Successful: Sustainable relationships, project/objective accomplished, but the PPP continues to do other activities.</p>	<p>1. The first and only long term PPP is the Los Angeles CA BICEPP, Business Industry Council for Emergency Preparedness and Prevention (name may be wrong). Started in the early 1980s to coordinate public-private planning in case of a major earthquake. I believe it continues. Many others have been created, operated for a few years and failed. Today, Memphis, TN. has a functioning PPP.</p> <p>2. ChemTrec – A public service by the chemical industry that (I believe) still provides valuable information to fire services and other Government entities.</p> <p>3. US Department of State's Overseas Security Advisory Council. Government funded forum for international companies and NGOs to share/exchange emergency and security-related information in real time.</p> <p>4. Project Impact, a PPP started during the Clinton administration to identify and reduce risk in communities. (Ines Pearce, cc above) can provide more information. Some examples continue, even though funding and staff support were stopped by the Bush administration.</p>	<p>1. The International Disaster Advisory Committee (IDAC), the first disaster-related PPP, started as a formal USG Advisory Committee during the first Bush administration. (Marilyn Quayle, wife of the US Vice President was Chairman, I was Executive Director). Major corporations represented sectors that could cure (mitigate or prevent) or cause disasters, food, transport, insurance, fuel, insurance, communications, etc. Discontinued by the Clinton administration, but an inspiration for Project Impact (within the USA).</p> <p>2. The Disaster Resource Network (DRN) started by the World Economic Forum and perhaps continuing in some diminished form (our colleagues in Europe should provide more precise information)</p>
	1. The private partner jumping into	1. Realistic assessment (commonly shared)	I suppose it depends upon one's	

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
	<p>something because it's a "good cause" whose intricacies they may not fully understand, or getting involved because they perceive some "commercial" benefit or benefit of visibility. And, on the other side, the Public partner not taking the time or being unable to understand the workings or motivations of its Private counterpart</p> <p>2. Misunderstanding/underestimating the time and resources commitment to make a partnership successful and, perhaps, unwillingness or inability to suffer inevitable setbacks that may happen along the way</p> <p>3. Not knowing when to end a positive relationship - Sometimes partnerships form almost spontaneously, during a disaster event, and it's clear that the synergy is greater than the sum of the parts. But once the even is over, and the particular cause or need has dissipated, some partnerships try to find ways to continue and the essence of what made them special can be lost. Some partnerships are destined to be short, and better left that way.</p>	<p>of the need for which the partnership is to be formed</p> <p>2. Mutual understanding of mission, goals and objectives</p> <p>3. Commitment to time and other resources required to successfully accomplishing tasks</p> <p>4. Does the community (or other beneficiary) of the partnership activity perceive they are being served by the partnership?</p>	<p>perspective whether it was good or not, but one of the first PPPs is likely to have been the "Marshall Plan", the primary plan of the United States for rebuilding and creating a stronger foundation for the countries of Western Europe after World War II. The plan was in operation for four years beginning in July 1947. During that period some USD 13 billion in economic and technical assistance were given to help the recovery of the European countries that had joined in the Organization for European Economic Co-operation (quick summary courtesy of Wikipedia). This is not disaster per se, but you get the idea. Relating to some of my earlier comments, this was a case where the US encouraged US business to "partner" in the redevelopment in Europe with the dual objective of "doing good" and making money.</p> <p>It's hard to say, categorically, what are successes and failures. Several PPPs that began in the disaster area were successful at various stages, or successful for just having been conceived and motivating others to consider options. The early days of satellite and mobile communications saw several partnerships, for example INTELSAT and INMARSAT, as well as Ericsson Motorola working with the UN System, International Organizations and NGOs (i.e., active involvement, particularly by Ericsson, in and support of the International Working Group on Emergency Telecommunications – WGET, and INTELSAT support for the US-USSR Telemedicine Spacebridge in response to the earthquake in Armenia in 1988).</p> <p>Another, nurtured by Ollie Davidson while at OFDA, was the Caribbean Basin Private Sector Disaster Advisory Committee (Ollie can give you more if he hasn't donated the files to some library).</p> <p>See attached documents for other</p>	



Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
			partnerships	
30	<ol style="list-style-type: none"> <li>1. Lack of Resources available</li> <li>2. Expectation that resources will be provided by public entities</li> </ol>	<ol style="list-style-type: none"> <li>1. Commitment</li> <li>2. Common goal</li> </ol>	<ol style="list-style-type: none"> <li>1. Victim Support</li> <li>2. Rural Safety</li> <li>3. Community Police Forums</li> <li>4. Neighbourhood Watches</li> <li>5. Business Against Crime</li> </ol>	<ol style="list-style-type: none"> <li>1. Youth against Crime</li> <li>2. Sport Against Crime</li> </ol>
31	<ol style="list-style-type: none"> <li>1. opportunistic by nature, not enough research to develop excellence</li> <li>2. instant gratification is the aim – sustainability is therefore rare</li> <li>3. no training is perceived to be necessary</li> </ol>	proper planning prevents poor performance	<ol style="list-style-type: none"> <li>1. toll roads</li> <li>2. construction of prisons</li> </ol>	<ol style="list-style-type: none"> <li>1. maintenance of hospitals</li> <li>2. service delivery – water, waste, housing</li> </ol>
32	<ol style="list-style-type: none"> <li>1. an uncritical assumption that the private sector is more efficient than the public sector (sometimes true, sometimes not) but most PPPs don't even question it</li> <li>2. lack of experience in business practice by the public sector side (local govt or even big ministries) so that the Public side negotiates bad deals for the public, and the private sector does (too) well out of it. In UK with PPP in the health and education sectors there have been enormous cost overruns and often the PPP project has cost more than the public sector infrastructure would have</li> <li>3. the underlying - but buried deep and maybe even denied - motivation from the public side that, it is not so much for cost savings, but for cost deferrals. i.e. the Govt getting into the deal is getting in effect an expensive capital loan from the private sector which will be paid back by later generations of tax payers, or at least, after the next election!! Cut taxes now, and let your kids pay for the hospitals, roads, schools, sewers, etc. etc.!!</li> <li>4. often enough there is straightforward collusion and corruption between the Govt Officials &amp; the private company: e.g. from UK, the "rotating door" between top Ministry</li> </ol>	<ol style="list-style-type: none"> <li>1. small, not big, highly focused</li> <li>2. much much better preparation by (and training for) the public officials who will be involved</li> </ol>		

Resp.	Q2: Most frequent mistakes	Q3: What distinguishes successful partnerships from failed partnerships	Q4: Successful Partnerships	Q4: Failed Partnerships
	of Defence officials responsible for procurement and the big arms manufacturers			
33	<ul style="list-style-type: none"> <li>1. Time - Public sector works/decides more slowly</li> <li>2. Bureaucracy - Public sector is inherently inflexible or unable to improvise</li> <li>3. Expectations - Public sector tends to put too wide objectives/large targets</li> <li>4. Different Goals - expecting the partner to have the same goal</li> </ul>	<ul style="list-style-type: none"> <li>1. Focus - small steps with clear deliverables</li> <li>2. Short communication lines</li> <li>3. Transparency of both party objectives</li> </ul>		
34	Did not answer	Did not answer	Did not answer	Did not answer

## 12.2 RESPONDENT DETAILS AND ADDITIONAL COMMENTS

No.	Respondent	Additional comments
1	Stephen van Rensburg Disaster Risk Management City of Cape Town	
2	Liesch, Tanja [T.Liesch@cedim-ag.com] CEDIM-AG Karlsruhe, Germany	<p>Dear Johan,</p> <p>As I promised you in Davos, I will try to answer your questions as good as I can. I hope you will make good progress with your research! I am really interested in your results, so I would highly appreciate it, if you could let me know, when you will publish them...</p> <p>Best wishes, Tanja</p> <p>Dr. Tanja Liesch Project Manager</p> <p>cedim AG Karlstraße 45b D- 76133 Karlsruhe</p> <p>Tel. +49 (0)721 9134510 Fax. +49 (0)721 9134599 Mob. +49 (0)172 7202671</p> <p><a href="http://www.cedim-ag.com">http://www.cedim-ag.com</a></p> <p>Vorstand: Prof. Dr.-Ing. Lothar Stempniewski, Bent Sternfeld, Dipl.-Ing. Hans Fahr Aufsichtsrat (Vorsitz): Dr. jur. Dietmar Ertmann Handelsregister: HR Mannheim, HRB 11261</p>
3	Ms Michael Redmond [msmichaelredmond@redmondworldwide.com] "Continuity solutions that	

	work”	
4	Todd Owen [towen@email.unc.edu]	<p>Hi Johan</p> <p>Good to hear from you. This sounds like a very interesting research project. As I note below, in the US, the Federal Emergency Management Agency had a programme that encouraged public-private partnerships. FEMA (Federal Emergency Management Institute) has eliminated nearly all references to it on its website but you can learn about it elsewhere. The second link below gives a pretty good overview of the programme when it first began.</p> <p><a href="http://www.seattle.gov/emergency/programs/projectimpact/">http://www.seattle.gov/emergency/programs/projectimpact/</a>  <a href="http://www.drj.com/articles/sum98/fema.htm">http://www.drj.com/articles/sum98/fema.htm</a></p> <p>Todd Owen Associate Director Center for Urban &amp; Regional Studies University of North Carolina at Chapel Hill 919/962-3076 <a href="http://curs.unc.edu/">http://curs.unc.edu/</a></p>
5	Annette Naude [anaude@internetix.co.za]	<p>Hallo Johan</p> <p>Ek stel voor dat jy ook een stuur aan Ingrid Hutty. Sy is 'n vriendin van ons en Jorina sal haar dalk ken. Jan ken haar goed. Sy het meer ondervinding hiermee as enige iemand anders waarvan ek bewus is. Groete, Annette. Ps: Ek het reeds 'n ander e-pos ingevul en teruggestuur.</p> <p><a href="mailto:ingrid@tiscali.co.za">ingrid@tiscali.co.za</a> IH sel:0824565830</p>
6	Bijan Yavar [yavar@iuc.ac.ir] Tehran, Iran	
7	Wendy Young [Wendy@edendm.co.za] Disaster Management Eden District Municipality	
8	Roy Veldtmann [rcv@lando.co.za] Disaster Management Cape Winelands District Municipality	<p>Hallo Johan,</p> <p>Ek sal nou nie al jou vrae kan beantwoord nie, maar het onlangs in my eie studies te hore gekom van die Nelspruit Waterkonsessie, maar bloot 'n verwysing daarna en geen verdere info. Miskien is jy reeds bewus daarvan. Ek het dit vanmôre "gegoogle" en daar is verskeie resultate, soos byvoorbeeld, die stadsraad self, DPLG, Investec, ens. Dit lyk</p>

		<p>na 'n suksesverhaal, maar daar is ook sites wat klaarblyklik aanvanklike probleme uitspel, soos naledi.org.za</p> <p>Ek dink ook DWAF (Department of Water Affairs and Forestry) se Bertrand van Zyl behoort baie inligting te hê oor besproeiingsrade wat beheer oorneem van staatsdamme namens die departement. Voorbeelde hiervan is Kougadam (voorheen Paul Sauerdam in die Gamtoosvallei) en Roode Elsbergdam by De Doorns wat deur Hexvallei Besproeiingsraad bestuur word.</p> <p>Ek is oortuig laasgenoemde is 'n suksesverhaal.</p> <p>Ek forward ook jou vraelys na ons paaiedepartement wat hul egter meer toespits op Small Medium Micro Enterprise (SMME) bemagtiging. Ek het pas te hore gekom dat Prov. Paaie (Piet Stofberg) wil herorganiseer en omtrent alle onderhoud- en herstelwerke gaan deur klein kontrakteurs uitgevoer word in die toekoms!</p> <p>Sterkte vorentoe met die groot taak.</p> <p>RCV</p>
9	Potter at Island Resources [bpotter@irf.org]	<p>My responses are directed at public-private partnerships involving local, mostly community-based NGOs (Non-governemntal organizations). My observation over the past 44 years (since my first US Peace Corps service in 1964) is that the experience of very large national, regional and global NGOs working with national and international public, intergovernmental and quasi-public groups is <u>very</u> different.</p> <p>In fact, I believe it is the success of the public-private partnership concept for mega-NGOs and their strong endorsement and management of the process that is responsible for its global spread, in spite of the damage done to small, local, inexperienced groups.</p> <p>I am not familiar with many long-term (e.g., 12-months or more) public-private partnerships involving private commercial or industrial businesses. For five years I worked for the New York Headquarters of the Exploration and Producing Division of Mobil Oil Corporation (1980-'85, before Mobil was acquired by EXXON), providing technical assistance to managers of Mobil E&amp;P affiliates in developing countries and Norway to define modes of operation, investment and training that would have a true developmental impact on host societies. Some, <b>but not many</b> of those activities would have been defined as public-private partnerships, except possibly for the most fevered ravings of the public relations department.</p> <p><b>Question 1:</b> Your answer: ___ <b>between dismal and poor for small, local and national NGOs</b> _____</p>
10	geisa bugs [geisabugs@googlemail.com]	

11	<p>Heijnen, Alexander  Walaardt Sacrestraat 405  1117 BM Schiphol Oost  The Netherlands  T +31 (0)20 4499 900  F +31 (0)20 4499 999  M +31 (0)6 53 18 92 12  Drs. Alexander Heijnen  Director  Alexander.Heijnen@dcecon  sultants.com</p>	
12	<p>David Mwaniki  <a href="mailto:david@globalcrisissolutions.org">[mailto:david@  globalcrisissolutions.org]</a></p>	<p>Hi Johan,  Great to hear from you and I will respond to your questionnaire. I will however only have feedback on public non-profit partnerships where I have more substantive experience and assuming that you also classify non-profits in the Private company category.</p> <p>Take care and regards</p>
13	<p>Gordon Denoon  [denoon@un.org]  United Nations Disaster  Assistance Committee</p>	<p>Dear Johan</p> <p>I am sorry to say that coming from an NGO background I have no experience of PPP so I am unable to comment.</p> <p>Good luck with your research.</p> <p>Kind Regards,</p> <p>Gordon Denoon  Humanitarian Affairs Officer  UN OCHA Regional Office for Southern Africa  Ph: + 27 (0) 734465888</p>
14	<p>Brian Cooper [brianadr@  optusnet.com.au]</p>	<p>Dear Johan</p> <p>Professor Walker at the School of Accounting at the University of NSW should be able to assist with your questions especially in this area. In my state it has been a very negative experience. The assumptions often used to justify the costs of construction to give a return have proven to be very incorrect. Hence the cost to the users is higher or the company concerned has gone under.</p>

		<p>There are some PPPs with the construction of new schools. These have been more successful. Those with health have proved to be as successful as the tunnels and railways.</p> <p>Brian</p>
15	<p>Barnes, Jo, Dr [jb4@sun.ac.za] Environmental Health Specialist University of Stellenbosch</p>	
16	<p>Geoff Laskey Disaster Management Solutions Cape Town, South Africa</p>	
17	<p>Andries Jordaan [JordaanA.SCI@ufs.ac.za] Director: Centre for Disaster Management Training Free State University</p>	
18	<p>Schalk Carstens Director: Disaster Management and Fire Brigade Services Provincial Government of the Western Cape Cape Town, South Africa</p>	
19	<p>Ilan Kelman - Ilan Kelman [ilan_kelman@hotmail.com]</p>	<p>Dear Johan,</p> <p>Thank you for the further information and details. No problem, then. As requested, I fill out your survey below from a corporate responsibility perspective. Note that I am not referring to CSR (Corporate Social Responsibility), even though that is the most common phrase in the literature. Many are now switching to the phrase "corporate responsibility" to encompass both social responsibility and environmental responsibility as well as beyond - even though other ambiguities are introduced such as <a href="http://www.disasteraction.org.uk/corporate.htm">http://www.disasteraction.org.uk/corporate.htm</a></p> <p>Again, I emphasise that my perspective is far from encompassing and is somewhat out-of-date, but I nonetheless</p>

		<p>provide survey answers to the best of my ability. You will see that I open up numerous avenues for further exploration. To me, they are part of and are relevant to PPP - but I take a broad definition and often do not worry too much about constraining specifics when defining a topic. I could, of course, fully accept if some of the sources or ideas did not seem to be relevant from other perspectives.</p> <p>I also attach some Dilbert comics on corporate (social) responsibility.</p> <p>Hope that this now provides what you need and don't hesitate if you would need anything further. Best wishes for it and I look forward to staying in touch,</p> <p>llan</p> <p>Question 5: In what year or in which 5-year period did you first encounter the term "Public-Private Partnership"</p> <p>I do not know, but it was most likely during my PhD from 1999-2002 and probably within the context of the Blairite approach to public services (e.g. the London Tube and semi-privatized hospitals) rather than in the context of corporate responsibility for disaster risk reduction research</p>
20	<p>Terry Jeggle [tjeggle@yahoo.com] United Nations International Strategy for Disaster Reduction Secretariat Geneva, Switzerland.</p>	<p><u>Question 1</u>: In your experience, what is the success rate of public-private partnerships?</p> <p>3 - Generally poor, successes often depend on critical or situation-specific circumstances, individuals or considerations. I think many PPPs are embarked upon either without a clear understanding of the concept, or are pursued through superficial efforts of an enthusiast. They really need careful and thorough consideration, shared deliberation, and enduring support from higher levels of authority and corporate/organizational responsibility.</p> <p>The subsequent discussion of "CSR" has also blurred what people think or subscribe to PPP really being. Hence PPP has now become a vaguely generic concept, which does not help as people seize on it as a possibility to be pursued.</p> <p>It will be interesting to see if the latest "social entrepreneurship" concepts fare any better - and if so, why and with what "success factors".</p> <p>First heard of PPP in <b>1991-92</b> when I was working at ADPC in Bangkok.</p>
21	<p>Carin de Villiers Eskom Generation Group Senior Advisor - Communication Tel / Fax: 021 - 872-7214 Cell: 083 679 1775</p>	<p>In your experience, what is the success rate of public-private partnerships? - 6. Encouraging, provided all the ground rules are laid out right from the beginning</p>



	E-mail: carin.devilliers@eskom.co.za	
22	<p>Andrei Iatsenia [iatsenia@un.org] Senior Adviser, Private-Public Partnerships, United Nations</p> <p>Mobile +41794698563 Fax +41229178964</p> <p>International Environmental House II, Chemin de Balexert 7-9, CH-1219, Geneva, Switzerland</p>	
23	<p>Thomas Jeftha Department Social Development Directorate Monitoring and Evaluation 14 Queen Victoria street 4TH Floor, Union House Cape Town 8000 Tel : +2721 483 4624 Fax : +2721 483 4555 Cell : 083 463 4804 E - mail : tjeftha@pgwc.gov.za</p> <p>Private Bag x 9112 Cape Town 8000 South Africa</p> <p>Website:</p>	

	<a href="http://www.capegateway.gov.za/socdev">http://www.capegateway.gov.za/socdev</a>	
24	Amina Abdullah Al Balushi [AminaB@omantourism.gov.om] Director of Tourism Statistics and Geographical Information, Oman	
25	Mark Pluke [Mark.Pluke@capetown.gov.za] Disaster Risk Management City of Cape Town	
26	Pierre Combrinck [pierre@wofire.co.za] Working on Fire George, South Africa	I only have experience relating to my time in Ukuvuka. I know we compiled a final report on the campaign which may be very useful. <b>Luthfia</b> , do you perhaps have an electronic copy of the final report and original business plan? <b>Johan</b> , my answers below, keeping in mind my experience as mentioned above  Regards Pierre
27	Suzanne L. Frew The Frew Group Multi-Cultural Risk Communications/Strategic Planning/Emergency Management 510-289-1448 suzanne@ thefrewgroup.com	dear johan –  i plan to respond to your email though have been hit with a very sick daughter and immediate departure for a national conference! i promised terry that i would provide good intel.  also, i hope to get you some from BENS. please google the name, it is well worth your time.
28	Oliver R. Davidson Senior Advisor Business Civic Leadership Center US Chamber of Commerce	Johan,  I will answer your questions, but I'm copying several of my long time friends because they are specialists in some aspect of this subject. I'm adding John Scott and Fred Krimgold who did ground breaking original research on this subject in the late 1980s.

	Private-Public Partnerships PPPpartners@Comcast.net 301-548-7774	Also, I'm interested in their feedback on this issue. The problem with general questions to many people is that some of us know a lot about this subject, or some aspect of it. Others know less. For example, John Twigg has done extensive research on this subject and his answers should carry more weight/respect than mine. That said, here are some insights. Now that we have a real President, come see us!!! Regards to all, Ollie
29	John Scott [jscott@cpssc.com]	Hello Johan (and friends)  Prompted by others' comments, I'm using toothpicks to keep my eyes open while I try to get some thoughts for you at nearly 2:00 in the morning. There's more, I'm sure, but if I don't at least get something to you now, I don't know when I'll get to it. Please contact me if you have any questions about my comments.  Regards,  John  (Ollie: you might get a kick out of the two attachments I'm sending to Johan. It's a flashback when you see some of the names of the people and groups we worked with back then).  Somewhere between Negative and Encouraging (I'm not sure "positive" is the right word.)  See accompanying white paper I prepared for Ollie back in 1991 titled "Sensitizing The Business Community To Opportunities For Disaster Preparedness". I think it was probably one of the first of its kind. I haven't read it for a while, and it might seem elementary now, but for background you might find it useful (note: It was produced in some, now archaic, word processing software that is not all that compatible with Microsoft WORD, so the layout and pagination might be a little off). Also attached is a paper I did during that same time period, entitled, "Business and Community Partnerships in Disaster Preparedness, an Annotated Compendium" (same note regarding layout and pagination).
30	nms/PROVINSIALE HOOF: MISDAADVOORKOMING: WES-KAAP f/PROVINCIAL HEAD: CRIME PREVENTION: WESTERN CAPE (N NILSSON) Tel: (021) 417 7206	[As ons misdaad in die toekoms wil voorkom, dan MOET ons kinders vandag oortuig om standpunt teen misdaad in te neem]. If we wish to prevent crime in the future, than we HAVE TO convince children today to take a stand against crime].

	<p>Cell: 082 820 7512  Fax: (021) 417 7264  POLICE e-J: <u>WC:  Partnership Policing</u>  INTERNET e-J:  <u>wc.partnership@  saps.org.za</u></p>	
31	<p>Ingrid Hutty  [ <a href="mailto:ingrid@tiscali.co.za">ingrid@tiscali.co.za</a>]  Ingrid Hutty - 082 456 5830  Entrepreneurial Business  Development &amp; Project  Co-ordination  <b>Too Blessed to be  stressed</b></p>	<p>Hullo, Johan!</p> <p>Thanks for the second reminder – and I do apologise for not getting back to you. However, I was away and indisposed (at the same time) when your first request came in.</p> <p>As much as I value my friend, Annette’s opinion, I do not feel that my experience is of sufficient academic nature to be of value in your research. I am a project co-ordinator and intensely hands-on in what I do. Therefore the intellectual value is virtually zero.</p> <p>My real sentiment is that people are opportunists and will always find a way out of a difficult situation, whether imposed by law or just ‘suggested’ (usually politically motivated) and suspect.</p> <p>Sadly, we do not have sufficient social anthropologists to properly and effectively see to the training aspects previously provided by artisan apprenticeships and now being given lip-service by the various committees hosting ‘talks-about-talks’ whilst hastily stuffing their pockets at the expense of those desperately needing skills.</p> <p>You are asking for success and failure models and I believe that it is too early to tell – things could still go either way &amp; being the resourceful people we have proven ourselves to be, when the going gets tough, the tough get going and the next 2-3 years should be very interesting.</p> <p>I’m sorry that you have had such poor response and input into your valuable work and am sorry that I cannot be of more help to you.</p> <p>Kind regards</p>
32	<p>Mike McCall [<a href="mailto:mccall@itc.nl">mccall@itc.nl</a>]</p>	<p>To: Johan Minnie  Subject: RE: Quick Partnership Questions</p> <p>how could i refuse such a request??!</p> <p>but Johan. what I'm not clear about is what kind of PPPs? are you focusing on any particular type? what i know most</p>

		<p>about is not first hand experience and is PPP in the big world of infrastructure and services etc. i don't think i really know much personally about PPP in education - we haven't tried joining up with private sector for courses, a little bit for sponsorship. therefore I'm not surprised not much response from our PPGIS D group, the partnerships they all deal with are partners between Donors - Govts - and NGOs – communities.</p> <p>cheers Mike</p> <p>Successful Partnerships:</p> <p>1. not an answer to this Qtn - but i suggest take a look at public sector services which have been allowed by their Governments to act more like private business and compete in the commercial sector eg. Danish State Railways, German State Railways, German &amp; Dutch post offices. Bank of China!!, China State Oil co. (i dont know the specifics, but worth looking at&gt;.</p> <p>Failed Partnerships:</p> <p>1. check the websites critical of EU spending</p> <p>2. ditto for critiques of UK PPP</p> <p>Question 5:</p> <p>In what year or in which 5-year period did you first encounter the term "Public-Private Partnership"</p> <p>Your answer: ___ 199?? 1995 or 6 probably. (i had a new Prof. who was gung ho about PPP. Willem van den Toorn, now retired ____</p>
33	Jeroen Verplanke [verplanke@itc.nl]	<p>To: Johan Minnie Subject: RE: Quick Partnership Questions</p> <p>Hi Johan,</p> <p>Your questionnaire is hiding under my e-mail pile; I've been abroad so much that I still have a backlog of several hundreds of mails. Good thing you reminded me! Better for me to answer right away otherwise this one will also disappear in the black hole called "inbox"... My experience is a bit limited in this field so I couldn't provide you with actual examples. Hope the rest of my answers are of use. I hope you'll get some more responses to add to your research.</p>

		<p>I'm off for a last trip this year next week to Mozambique (2 weeks course) and then I hope to stay at home a few months. Certainly because we're expecting our first family addition end of Feb.!</p> <p>Keep me posted on your research and your travels (if any).</p>
34	<p>David Mwaniki, Group Chief Executive Global Crisis Solutions <a href="http://www.globalcrisisolutions.org">www.globalcrisisolutions.org</a></p>	<p>Dear Johan,</p> <p>Happy New Year. I must start by apologizing for the delay in responding to your initial mail. I trust that you are well. I have attached a paper I did on partnerships for Actionaid international and I hope that it addresses the key questions you had asked. If this is too late then I apologize once more.</p> <p>Regards and keep in touch</p>

## **13 ANNEXURE C: COMPILATION OF IDENTIFIED SUCCESS FACTORS**

### **13.1 CONSOLIDATED SUCCESS FACTORS AT END OF CHAPTER 3**

#### **1) Potential for synergy:**

- a. The existence of potential for synergy between partners;

#### **2) Compatibility:**

- a. Common ground in terms of political doctrine;
- b. Partners' procedures, systems and equipment are compatible;
- c. Compatible levels of technical expertise;
- d. Overcoming cultural and institutional differences;
- e. A common understanding of the concept of public-private partnership;
- f. Overcoming potential conflict caused by differences in philosophy;

#### **3) Supportive environment:**

- a. Supportive legislative, policy and political environment;
- b. Supportive models of public-private interaction;
- c. Sufficient social capital to accommodate the social capital requirements of the partnership and/or sufficient time to build social capital;

#### **4) Leadership:**

- a. Stable political leadership;
- b. High-profile proponents / champions of the model;
- c. Competent, motivated management;
- d. Favourable internal political environment;
- e. Appropriate levels of political involvement;

#### **5) Skills and capacity:**

- a. Skills transfer possible from public to private sector;
- b. Financial capacity;

#### **6) Appropriate incentive structures:**

- a. Profit potential for private sector;

#### **7) Partners ready for partnership:**

- a. Organizational cultures receptive for partnership;
- b. Public sector commitment;

- c. Public sector understanding of private sector incentives and NGO approaches;
- d. Genuine engagement of public sector with policies promoting partnership;
- e. Public sector inter-departmental cooperation in support of partnership;
- f. Price flexibility from private partner;
- g. Effective change management;
- h. Commitment:
  - i. Willingness to invest time and effort;
  - ii. Support of stakeholders;

8) Stakeholder engagement:

- a. Honest, positive, transparent and constructive consultation with stakeholders;
- b. Real engagement of excluded voices;
- c. Understanding of and capacity for engagement with external and internal stakeholders;
- d. Effective communication across barriers such as language;
- e. Absence of gatekeepers and allegiances;

9) Partnership establishment:

- a. Comprehensive all-stakeholder calculation of total benefit;
- b. Comprehensive partner-selection process;
- c. Effective contractual arrangements;
- d. Access to learning experiences from other partnerships;
- e. Appropriate delegation of powers from parent organizations:
  - i. The representatives of the partners in the partnership have sufficient delegated decision-making powers;
  - ii. Policy-making powers are delegated with care, if at all;

10) Partnership character:

- a. The service involved is appropriate for delivery through partnership;
- b. Reasonable resource costs;
- c. Clear, agreed goals;
- d. Achievement of an important social benefit;
- e. A focus on positive goals, positive social impact and public good;
- f. Increased effectiveness in use of resources;



11) Positive engagement with organized labour:

- a. Seeking labour support;
- b. Having due consideration for labour concerns and priorities;

12) Achieving context specific requirements, such as black economic empowerment in South Africa;

13) Internal governance of partnership:

- a. Reducing and managing complexity;
- b. Streamlined, appropriate procedures;
- c. Effective performance management;
- d. Formalized inclusive and consensual decision-making;
- e. Clear assignment of specific decision-making powers;
- f. Improved effectiveness and efficiency;
- g. Adequate skills and managerial capacity;

14) Power relationships:

- a. Equality within partnership;
- b. Power sharing;
- c. Balancing of power;
- d. Balanced representivity.

## **13.2 CONSOLIDATED SUCCESS FACTORS IDENTIFIED IN CHAPTER 4**

1) Leadership:

- a. Strong champion or driver;
- b. Visible political leadership;
- c. Strong leadership to overcome institutional inertia / resistance to change;
- d. Recognize the importance of perceptions among leadership;
- e. Strong individual champions in the private partner;
- f. Well-informed political leadership involvement from public partner.
- g. Good leadership and interpersonal relationships;
- h. Commitment of and leadership from top management in the public partner;
- i. Clear direction;

j. Clear division of responsibility of functions;

2) Learning:

- a. Use lessons from private enterprise;
- b. Observe the “generic observations” on partnership success;

3) Common purpose, goal alignment, synergy and mutual benefit:

- a. Clarity and openness about individual and collective agendas and purpose;
- b. Confirm each partner’s individual goals;
- c. Confirm the collective goal of the partnership;
- d. Synergy between individual and collective agendas;
- e. Synergy between individual, collective and societal benefits;
- f. Build real partnership, with shared burdens and shared rewards;
- g. Mutual benefit:
  - i. Satisfaction of consumers, decision-makers and private partner;
  - ii. The partnership should deliver mutual benefit;

4) Partnership establishment:

- a. Seeing partnership formation as the formation of new for-profit enterprises based on social or environmental objectives and values;
- b. Support in the implementation of partnerships;
- c. Rationalize the number of partners;
- d. Understanding of the original partnering motivations and conditions;
- e. Focus the scope and content of the partnership arrangement;
- f. Establish appropriate organizational and contractual arrangements;
- g. Establish sound partnership principles;
- h. Expedite access to staff and premises for new suppliers;
- i. Confirm / ensure statutory and regulatory authorization;
- j. Create teams with diversity to encourage creativity;
- k. Focus on discovering and exploiting partnership opportunities;
- l. Structure the venture with an outcomes focus;
- m. Developing effective knowledge-sharing practices;
- n. Clear lines of accountability;
- o. Partnership design:
  - i. Conduct a pre-partnership viability assessment;

- ii. PPPs should be chosen as delivery mechanism only when the PPP model is appropriate to the circumstances;

p. Structuring the partnership:

- i. Create new organizational collaboration and innovation space;
- ii. Clearly defined project organization structure;
- iii. Organizational flexibility;
- iv. Structure partnerships for success.
- v. Symmetry of information;
- vi. Establish institutional arrangements with care;

q. Partner selection:

- i. Previous experience of partners in partnerships;
- ii. Open competition in the selection of partners;
- iii. An experienced and competent private partner;
- iv. Selecting partners with experience in the applicable field;
- v. Selecting a partner that can contribute the most value to the partnership;

5) Power relationships:

- a. Understanding and adjusting for the influence of power relationships upon partnership governance;
- b. Capacity should be balanced in a partnership;

6) Transparency and accountability:

- a. Transparent procurement processes;
- b. Stakeholders should be empowered to understand that which is supposed to be transparent;
- c. Fully transparent procurement system;
- d. Fighting corruption:
  - i. Procedural disincentives for corruption;
  - ii. Blacklisting of corrupt contractors;

7) Performance management:

- a. Civil society assistance with performance measurement;
- b. Evaluation system (which could include inspection);
- c. Regular partnership review and reconsideration;
- d. Ongoing performance management;
- e. Shared and agreed performance measurement indicators;

- f. Measure performance against individual and combined goals;
- g. Shared success or failure evaluation;
- h. Performance oriented goals;
- i. Clearly delineated metrics for performance and reporting;

8) Internal governance:

- a. Correct choice of partnership model;
- b. Clear objectives, policies and principles;
- c. Simplified decision-making;
- d. Devolve authority for decision-making to the lowest possible level;
- e. Joint capacity building session;
- f. Environmental monitoring:
  - i. Sensitivity to the environment and its influence on the partnership;
  - ii. Ability to adapt to environmental changes.;
  - iii. Consider the impact of external factors (environment / stakeholders);
- g. Sensitivity to environment / context;
  - i. Achieve a fit between the industry evolution context, personal networks of entrepreneurs, behaviours of entrepreneurs, motivations of stakeholders, and the structures and strategies of the organization;
  - ii. Consider political acceptability;
- h. Establish single coordination point;
- i. Manage authority vacuum through collegiate decision-making;
- j. Choose optimal organizational structure;
- k. Clearly defined method of dispute resolution;

9) Contracting:

- a. Ensure tender invitations are complete with all necessary information;
- b. Standardized forms and methodology for bid adjudication;
- c. Fair contract enforcement mechanisms;
- d. Contract management to ensure adherence and punish non-compliance;
- e. Contract design should reflect conditions;
- f. Contract management;

- g. Contract negotiations;
- h. Don't get lost in the fine print;
- i. Detailed specifications;
- j. Simplify specifications by focusing on outputs and outcomes;
- k. Flexible contracts with simple, robust contract variation procedures;
- l. Properly designed contract;
- m. Clear description of the responsibilities of each partner;
- n. Open procurement process;
- o. Bid evaluation:
  - i. Considering the appointment of external consultants to work with the government agency on the evaluation of bids;

#### 10) Cost management:

- a. Increased awareness of cost management among public staff;
- b. Integration of activities to enable cost sharing;
- c. Compare costs and performance with alternatives;
- d. Reduced transaction cost;
- e. Cost of product and service production must be determined;
- f. Compare information costs under alternatives;

#### 11) Stakeholder engagement:

- a. Clear identification of all stakeholders;
- b. Open and candid communication with all stakeholders, taking into regard the concerns and priorities of each stakeholder;
- c. Conscious stakeholder relationship management;
- d. Keep all stakeholders informed of all aspects of project, with specific focus on the intent, purpose, and means of implementation of the project;
- e. Counter misperceptions and myths through audience-appropriate, candid and factual information;
- f. Recognizing the role of civil society to act on behalf of the community;
- g. Policy statement to all stakeholders;
- h. Effective communication with all stakeholders;
- i. Engagement with organized labour:
  - i. Consider organized labour opinions;
- j. Reduction in potential for political interference;

12) Effective communication:

- a. Communication responsibility should be shared among partners, and communication should come from the most appropriate partner for the specific communication;

13) Collaboration:

- a. Develop a collaborative process;
- b. Provide incentives for effective collaboration;
- c. Experiment with collaboration options;
- d. Build interpersonal skills for collaboration;
- e. Build on the assets of potential partners;

14) Supportive systems

- a. Procurement systems that support the partnership approach;
- b. Rally public, political and administrative support;
- c. Establish support mechanisms / partnership enablers;
- d. Strong local ownership;
- e. Community support;

15) Supportive, enabling legal environment:

- a. A statutory foundation (enabling legal environment);
- b. Public officials must identify and remove legislative, regulatory and administrative impediments;
- c. Access to fair and unbiased judicial relief;
- d. Regulation to prevent abuse;

16) Flexibility to adapt to changing circumstances:

- a. Flexibility - renegotiating outcomes based on changing conditions;
- b. Manage flexibly around key values and performance objectives;

17) Commitment:

- a. Continued active involvement of public partner;
- b. Commitment to the partnership process by all partners;

18) Financial analysis, planning and sustainability;

- a. Early appointment of a designated team or individual to identify finance sources;
- b. An assured income stream for the duration of the partnership;

19) Service delivery:

- a. Understanding the business at hand, for example water and sanitation;

- b. Quality focus;
- c. Services should be delivered in a manner that is *safe* to users;

#### 20) Human resources

- a. Skills:
  - i. Strategic and financial skills within the public sector partner;
  - ii. Strategic human capital plan to acquire the correct skills;
  - iii. Appropriate skills within the public sector partner;
  - iv. Build entrepreneurial skills;
  - v. Workforce development plan;
  - vi. Acquire new governance skills set;
  - vii. Private sector experience for the public sector;
  - viii. Invest in the best and brightest human capital for the public sector;
  - ix. Develop appropriate set of core competencies;
  - x. Appoint individuals with entrepreneurial experience and skills;
  - xi. Invest in skills and competencies;
  - xii. Public sector human capital in contract and network management;
  - xiii. Improve capacity for tactical decision-making;
- b. Use people with a collaborative mindset;

#### 21) Partners contribute according to their capacity:

- a. Focus on the required public outcome;
- b. Aim to make meaningful enhancements to the status quo;
- c. Make meaningful, even if imperfect, enhancements to the status quo;
- d. First focus on public value, what public outcome must be produced;
- e. Manage around key values and performance objectives;

#### 22) Use public resources effectively and judiciously:

- a. Efficient utilization of scarce resources;
- b. Use land ownership as a way for the public to control the projects;

#### 23) Use all available resources, not only monetary, to bring partnerships together:

- a. Consider finance as a tool among many others;

#### 24) Reasonable expectation of private sector interest due to potential market;

#### 25) Public partner

- a. Strategic understanding of partnerships within the public sector partner;

- b. Minimizing the bureaucratic procedures that can cripple a project;
- c. Support for public managers to explore and implement the PPP option;

26) Compatibility:

- a. Shared applications (for example software);
- b. Similar technologies;
- c. Shared communication channels;
- d. Need to have “shared semantics”;
- e. A well-developed shared vocabulary;
- f. Shared experiences in field;
- g. Similar cultures;
- h. Cultures that embrace collaboration;
- i. Similar measurements of success;
- j. Synchronization of partners’ business processes;
- k. Philosophical match between the private and public partners;

27) Delivery of services that are accessible - easy to use and delivered in a manner and at a place which is convenient for the target market they are intended for;

28) Value for money:

- a. Delivery of affordable services not exceeding public provision costs;
  - i. Robust procurement methodology that ensures value for money;

29) Opportunity for rewarding private partner for its involvement:

- a. Fair returns for private partners;
- b. Real incentives for the private sector;

30) Risk management:

- a. Integrated risk management - clear and fair risk balance;
- b. Identify and actively manage risks;
- c. Clear risk allocation;

31) Government oversight;

32) Well-defined projects:

- a. Government must be sure of what it wants;
- b. Known outputs;
- c. Quantified process;
- d. Clear project definition and scope management;
- e. Ensure appropriate project handover that empowers the client;



33) Look at complete product life cycle, not only project life cycle;

34) Pursue the triple bottom line:

- a. Greater environmental responsibility;
- b. Protection of the environment;
- c. Social equity and economic empowerment focus;

35) Trust built on reciprocity.

### **13.3 CONSOLIDATED SUCCESS FACTORS AT END OF CHAPTER 4**

1) Leadership:

- a. Strong leadership to overcome institutional inertia / resistance to change;
  - i. Good leadership and interpersonal relationships;
  - ii. Clear direction;
- b. Strong champion or driver;
  - i. Strong individual champions in the private partner;
- c. Visible political leadership;
  - i. Well-informed political leadership involvement from public partner.
  - ii. Stable political leadership;
  - iii. Appropriate levels of political involvement;
- d. Recognize the importance of perceptions among leadership;
- e. Commitment of and leadership from top management in the public partner;
- f. Clear division of responsibility of functions;
- g. High-profile proponents / champions of the model;
- h. Competent, motivated management;
- i. Favourable internal political environment;

2) Partners ready for partnership:

- a. Trust built on reciprocity.
- b. Organizational cultures receptive for partnership;
- c. Public sector understanding of private sector incentives and NGO approaches;

- d. Genuine engagement of public sector with policies promoting partnership;
- e. Public sector inter-departmental cooperation in support of partnership;
- f. Price flexibility from private partner;
- g. Effective change management;
- h. Commitment:
  - i. Willingness to invest time and effort;
  - ii. Support of stakeholders;
  - iii. Continued active involvement of public partner;
  - iv. Commitment to the partnership process by all partners;
  - v. Public sector commitment;

### 3) Learning:

- a. Use lessons from private enterprise;
- b. Observe the “generic observations” on partnership success;

### 4) Common purpose, goal alignment, synergy and mutual benefit:

- a. The existence of potential for synergy between partners;
- b. Clarity and openness about individual and collective agendas and purpose;
- c. Confirm each partner’s individual goals;
- d. Confirm the collective goal of the partnership;
- e. Synergy between individual and collective agendas;
- f. Synergy between individual, collective and societal benefits;
- g. Build real partnership, with shared burdens and shared rewards;
- h. Mutual benefit:
  - i. Satisfaction of consumers, decision-makers and private partner;
  - ii. The partnership should deliver mutual benefit;

### 5) Partnership establishment:

- a. Seeing partnership formation as the formation of new for-profit enterprises based on social or environmental objectives and values;
- b. Support in the implementation of partnerships;
- c. Rationalize the number of partners;
- d. Understanding of the original partnering motivations and conditions;
- e. Focus the scope and content of the partnership arrangement;
- f. Establish appropriate organizational and contractual arrangements;

- g. Establish sound partnership principles;
- h. Expedite access to staff and premises for new suppliers;
- i. Confirm / ensure statutory and regulatory authorization;
- j. Create teams with diversity to encourage creativity;
- k. Focus on discovering and exploiting partnership opportunities;
- l. Structure the venture with an outcomes focus;
- m. Developing effective knowledge-sharing practices;
- n. Clear lines of accountability;
- o. Comprehensive all-stakeholder calculation of total benefit;
- p. Effective contractual arrangements;
- q. Access to learning experiences from other partnerships;
- r. Appropriate delegation of powers from parent organizations:
  - i. The representatives of the partners in the partnership have sufficient delegated decision-making powers;
  - ii. Policy-making powers are delegated with care, if at all;
- s. Partnership design:
  - i. Conduct a pre-partnership viability assessment;
  - ii. PPPs should be chosen as delivery mechanism only when the PPP model is appropriate to the circumstances;
- t. Structuring the partnership:
  - i. Create new organizational collaboration and innovation space;
  - ii. Clearly defined project organization structure;
  - iii. Organizational flexibility;
  - iv. Structure partnerships for success.
  - v. Symmetry of information;
  - vi. Establish institutional arrangements with care;
- u. Comprehensive partner-selection process:
  - i. Previous experience of partners in partnerships;
  - ii. Open competition in the selection of partners;
  - iii. An experienced and competent private partner;
  - iv. Selecting partners with experience in the applicable field;
  - v. Selecting a partner that can contribute the most value to the partnership;

## 6) Power relationships:

- a. Understanding and adjusting for the influence of power relationships upon partnership governance;
- b. Capacity should be balanced in a partnership;
- c. Equality within partnership;
- d. Power sharing;
- e. Balancing of power;
- f. Balanced representivity.

7) Transparency and accountability:

- a. Transparent procurement processes;
- b. Stakeholders should be empowered to understand that which is supposed to be transparent;
- c. Fully transparent procurement system;
- d. Fighting corruption:
  - i. Procedural disincentives for corruption;
  - ii. Blacklisting of corrupt contractors;

8) Performance management:

- a. Civil society assistance with performance measurement;
- b. Evaluation system (which could include inspection);
- c. Regular partnership review and reconsideration;
- d. Ongoing performance management;
- e. Shared and agreed performance measurement indicators;
- f. Measure performance against individual and combined goals;
- g. Shared success or failure evaluation;
- h. Performance oriented goals;
- i. Clearly delineated metrics for performance and reporting;

9) Internal governance:

- a. Correct choice of partnership model;
- b. Clear objectives, policies and principles;
- c. Simplified decision-making;
- d. Devolve authority for decision-making to the lowest possible level;
- e. Joint capacity building session;
- f. Environmental monitoring:
  - i. Sensitivity to the environment and its influence on the partnership;

- ii. Ability to adapt to environmental changes.;
- iii. Consider the impact of external factors (environment / stakeholders);
- g. Sensitivity to environment / context;
  - i. Achieve a fit between the industry evolution context, personal networks of entrepreneurs, behaviours of entrepreneurs, motivations of stakeholders, and the structures and strategies of the organization;
  - ii. Consider political acceptability;
- h. Establish single coordination point;
- i. Manage authority vacuum through collegiate decision-making;
- j. Choose optimal organizational structure;
- k. Clearly defined method of dispute resolution;
- l. Reducing and managing complexity;
- m. Streamlined, appropriate procedures;
- n. Effective performance management;
- o. Formalized inclusive and consensual decision-making;
- p. Clear assignment of specific decision-making powers;
- q. Improved effectiveness and efficiency;
- r. Adequate skills and managerial capacity;

#### 10) Contracting:

- a. Ensure tender invitations are complete with all necessary information;
- b. Standardized forms and methodology for bid adjudication;
- c. Fair contract enforcement mechanisms;
- d. Contract management to ensure adherence and punish non-compliance;
- e. Contract design should reflect conditions;
- f. Contract management;
- g. Contract negotiations;
- h. Don't get lost in the fine print;
- i. Detailed specifications;
- j. Simplify specifications by focusing on outputs and outcomes;
- k. Flexible contracts with simple, robust contract variation procedures;
- l. Properly designed contract;

- m. Clear description of the responsibilities of each partner;
- n. Open procurement process;
- o. Bid evaluation:
  - i. Considering the appointment of external consultants to work with the government agency on the evaluation of bids;

#### 11) Cost management:

- a. Increased awareness of cost management among public staff;
- b. Integration of activities to enable cost sharing;
- c. Compare costs and performance with alternatives;
- d. Reduced transaction cost;
- e. Cost of product and service production must be determined;
- f. Compare information costs under alternatives;

#### 12) Stakeholder engagement:

- a. Clear identification of all stakeholders;
- b. Open and candid communication with all stakeholders, taking into regard the concerns and priorities of each stakeholder;
- c. Conscious stakeholder relationship management;
- d. Keep all stakeholders informed of all aspects of project, with specific focus on the intent, purpose, and means of implementation of the project;
- e. Counter misperceptions and myths through audience-appropriate, candid and factual information;
- f. Recognizing the role of civil society to act on behalf of the community;
- g. Policy statement to all stakeholders;
- h. Effective communication with all stakeholders;
- i. Engagement with organized labour
  - i. Consider organized labour opinions;
  - ii. Positive engagement with organized labour:
  - iii. Seeking labour support;
  - iv. Having due consideration for labour concerns and priorities;
- j. Reduction in potential for political interference;
- k. Honest, positive, transparent and constructive consultation with stakeholders;
- l. Real engagement of excluded voices;

- m. Understanding of and capacity for engagement with external and internal stakeholders;
- n. Effective communication across barriers such as language;
- o. Absence of gatekeepers and allegiances;

13) Effective communication:

- a. Communication responsibility should be shared among partners, and communication should come from the most appropriate partner for the specific communication;

14) Collaboration:

- a. Develop a collaborative process;
- b. Provide incentives for effective collaboration;
- c. Experiment with collaboration options;
- d. Build interpersonal skills for collaboration;
- e. Build on the assets of potential partners;

15) Supportive systems

- a. Procurement systems that support the partnership approach;
- b. Rally public, political and administrative support;
- c. Establish support mechanisms / partnership enablers;
- d. Strong local ownership;
- e. Community support;

16) Supportive environment:

- a. Supportive policy and political environment;
- b. Supportive models of public-private interaction;
- c. Sufficient social capital to accommodate the social capital requirements of the partnership and/or sufficient time to build social capital;
- d. Supportive, enabling legal environment:
  - i. A statutory foundation (enabling legal environment);
  - ii. Public officials must identify and remove legislative, regulatory and administrative impediments;
  - iii. Access to fair and unbiased judicial relief;
  - iv. Regulation to prevent abuse;

17) Flexibility to adapt to changing circumstances:

- a. Flexibility - renegotiating outcomes based on changing conditions;
- b. Manage flexibly around key values and performance objectives;

- c. Achieving context specific requirements, such as black economic empowerment in South Africa;

18) Financial analysis, planning and sustainability;

- a. Early appointment of a designated team or individual to identify finance sources;
- b. An assured income stream for the duration of the partnership;

19) Service delivery:

- a. Understanding the business at hand, for example water and sanitation;
- b. Quality focus;
- c. Services should be delivered in a manner that is *safe* to users;
- d. Delivery of services that are accessible - easy to use and delivered in a manner and at a place which is convenient for the target market they are intended for;

20) Human resources

a. Skills:

- i. Strategic and financial skills within the public sector partner;
- ii. Strategic human capital plan to acquire the correct skills;
- iii. Appropriate skills within the public sector partner;
- iv. Build entrepreneurial skills;
- v. Workforce development plan;
- vi. Acquire new governance skills set;
- vii. Private sector experience for the public sector;
- viii. Invest in the best and brightest human capital for the public sector;
- ix. Develop appropriate set of core competencies;
- x. Appoint individuals with entrepreneurial experience and skills;
- xi. Invest in skills and competencies;
- xii. Public sector human capital in contract and network management;
- xiii. Improve capacity for tactical decision-making;

- b. Use people with a collaborative mindset;
- c. Skills transfer possible from public to private sector;
- d. Financial capacity;

21) Partners contribute according to their capacity:



- a. Focus on the required public outcome;
- b. Aim to make meaningful enhancements to the status quo;
- c. Make meaningful, even if imperfect, enhancements to the status quo;
- d. First focus on public value, what public outcome must be produced;
- e. Manage around key values and performance objectives;

22) Use public resources effectively and judiciously:

- a. Efficient utilization of scarce resources;
- b. Use land ownership as a way for the public to control the projects;

23) Use all available resources, not only monetary, to bring partnerships together:

- a. Consider finance as a tool among many others;

24) Willing private partner:

- a. Appropriate incentive and reward structures;
- b. Profit potential for private sector;
- c. Fair returns for private partners;
- d. Real incentives for the private sector
- e. Market opportunity
  - i. Reasonable expectation of private sector interest due to potential market;

25) Willing public partner

- a. Strategic understanding of partnerships within the public sector partner;
- b. Minimizing the bureaucratic procedures that can cripple a project;
- c. Support for public managers to explore and implement the PPP option;

26) Compatibility:

- a. Shared applications (for example software);
- b. Similar technologies, procedures, systems and equipment;
- c. Shared communication channels;
- d. Shared semantics
- e. A well-developed shared vocabulary;
- f. Shared experiences in field;
- g. Similar cultures or overcoming cultural and institutional differences;
- h. Cultures that embrace collaboration;
- i. Similar measurements of success;
- j. Synchronization of partners' business processes;

- k. Philosophical match between the private and public partners or overcoming potential conflict caused by differences in philosophy;
- l. Common ground in terms of political doctrine;
- m. Compatible levels of technical expertise;
- n. A common understanding of the concept of public-private partnership;

27) Value for money:

- a. Delivery of affordable services not exceeding public provision costs;
- b. Robust procurement methodology that ensures value for money;

28) Risk management:

- a. Integrated risk management - clear and fair risk balance;
- b. Identify and actively manage risks;
- c. Clear risk allocation;

29) Government oversight;

30) Well-defined projects:

- a. Government must be sure of what it wants;
- b. Known outputs;
- c. Quantified process;
- d. Clear project definition and scope management;
- e. Ensure appropriate project handover that empowers the client;

31) Look at complete product life cycle, not only project life cycle;

32) Pursue the triple bottom line:

- a. Greater environmental responsibility;
- b. Protection of the environment;
- c. Social equity and economic empowerment focus;

33) Partnership character:

- a. The service involved is appropriate for delivery through partnership;
- b. Reasonable resource costs;
- c. Clear, agreed goals;
- d. Achievement of an important social benefit;
- e. A focus on positive goals, positive social impact and public good;
- f. Increased effectiveness in use of resources;

### 13.4 CONSOLIDATED SUCCESS FACTORS FROM CHAPTER 5

- 1) Strong programme conceptualization;
  - a. A public need is met:
    - i. Private sector provides a traditionally public service against an outputs-based specification for a significant period of time;
  - b. Prepare and oversee an agreed strategy;
  - c. Common vision and objective;
  - d. Defined purpose;
  - e. Clearly identified pre-determined goals or outcomes for the partnership;
  - f. Clear mandates and authority;
  - g. Clarity, plausibility, feasibility, and appropriateness of programme theory which shows cause-effect relationships leading to required outcome;
  - h. Shared project design and planning;
  - i. Consider context in establishing mission and objectives;
  - j. Appropriate performance indicators for which data is available and collection is feasible;
  - k. Focus on appropriate product development and service delivery;
  - l. Know what customers expect;
  - m. Select correct service design standards;
- 2) Recognisable institutional form created:
  - a. Involvement of both public and private sectors;
  - b. Several stakeholders involved;
  - c. Contractual arrangement in place;
  - d. Defined structural relationships;
  - e. Limited governance and delivery gaps;
  - f. Low overlap and duplication;
- 3) Internal management:
  - a. Efficient knowledge and information management;
  - b. Defined and efficient decision-making;
  - c. Use of appropriate management instruments;
  - d. Appropriate levels of formality;
- 4) Public leadership:

- a. Protection against political interference;
- b. Policy consistency;

5) Partner readiness for partnership:

- a. Partners able to pursue individual goals;
- b. Partners contribute portions of resources;
- c. Partners contribute according to own comparative advantage;
- d. Available potential partners;
- e. Previous partnership experience;

6) Supportive environment:

- a. Stakeholder support;
- b. Citizen and community interest and involvement;

7) Risk management:

- a. Risk transfer to private sector;
- b. Risk sharing;

8) Mutual benefit:

- a. All partners obtain pre-defined benefit;
- b. Private sector receives benefit / award;

9) Goal achievement:

- a. Achievement by the partnership of desired goals or outcomes;
- b. Role-players achieve common goals;

10) Performance management:

- a. Outcomes-based performance measurement and management;
- b. Measure performance against mission / objectives;
- c. Effective, unbiased programme evaluation;
- d. Programme impact is aligned to outputs specified in programme theory;
- e. Goals are actively pursued and performance of the partnership is monitored and evaluated against these goals;
- f. Deliver to service standards;
- g. Match performance to promises;

11) Purposeful collaboration:

- a. Appropriate levels of integration and coordination;
- b. Appropriate levels of interdependence;
- c. Sustained collaborative effort;

- d. Intra-partnership awareness of other partners' missions, goals and objectives;
- e. Role-players pool and share resources;
- f. Public sector remains significant role-player;
- g. Mobilization of a coalition of interests drawn from more than one sector.

### **13.5 CONSOLIDATED SUCCESS FACTORS AT END OF CHAPTER 5**

#### **1) Leadership:**

- a. Strong leadership to overcome institutional inertia / resistance to change;
  - i. Good leadership and interpersonal relationships;
  - ii. Clear direction;
- b. Strong champion or driver;
  - i. Strong individual champions in the private partner;
- c. Visible political leadership;
  - i. Well-informed political leadership involvement from public partner;
  - ii. Stable political leadership;
  - iii. Appropriate levels of political involvement;
  - iv. Protection against political interference;
  - v. Policy consistency;
- d. Recognize the importance of perceptions among leadership;
- e. Commitment of and leadership from top management in the public partner;
- f. Clear division of responsibility of functions;
- g. High-profile proponents / champions of the model;
- h. Competent, motivated management;
- i. Favourable internal political environment;

#### **2) Partners ready for partnership:**

- a. Partners able to pursue individual goals;
- b. Partners contribute portions of resources;
- c. Partners contribute according to own comparative advantage;

- d. Available potential partners;
- e. Previous partnership experience;
- f. Trust built on reciprocity;
- g. Organizational cultures receptive for partnership;
- h. Public sector understanding of private sector incentives and NGO approaches;
- i. Genuine engagement of public sector with policies promoting partnership;
- j. Public sector inter-departmental cooperation in support of partnership;
- k. Price flexibility from private partner;
- l. Effective change management;
- m. Commitment:
  - i. Willingness to invest time and effort;
  - ii. Support of stakeholders;
  - iii. Continued active involvement of public partner;
  - iv. Commitment to the partnership process by all partners;
  - v. Public sector commitment;

### 3) Learning:

- a. Use lessons from private enterprise;
- b. Observe the “generic observations” on partnership success;

### 4) Common purpose, goal alignment, synergy and mutual benefit:

- a. The existence of potential for synergy between partners;
- b. Clarity and openness about individual and collective agendas and purpose;
- c. Confirm each partner’s individual goals;
- d. Confirm the collective goal of the partnership;
- e. Synergy between individual and collective agendas;
- f. Synergy between individual, collective and societal benefits;
- g. Build real partnership, with shared burdens and shared rewards;
- h. Mutual benefit:
  - i. Satisfaction of consumers, decision-makers and private partner;
  - ii. The partnership should deliver mutual benefit;
  - iii. All partners obtain pre-defined benefit;
  - iv. Private sector receives benefit / award;

5) Goal achievement:

- a. Achievement by the partnership of desired goals or outcomes;
- b. Role-players achieve common goals;

6) Partnership establishment:

- a. Seeing partnership formation as the formation of new for-profit enterprises based on social or environmental objectives and values;
- b. Support in the implementation of partnerships;
- c. Rationalize the number of partners;
- d. Understanding of the original partnering motivations and conditions;
- e. Focus the scope and content of the partnership arrangement;
- f. Establish appropriate organizational and contractual arrangements;
- g. Establish sound partnership principles;
- h. Expedite access to staff and premises for new suppliers;
- i. Confirm / ensure statutory and regulatory authorization;
- j. Create teams with diversity to encourage creativity;
- k. Focus on discovering and exploiting partnership opportunities;
- l. Structure the venture with an outcomes focus;
- m. Developing effective knowledge-sharing practices;
- n. Clear lines of accountability;
- o. Comprehensive all-stakeholder calculation of total benefit;
- p. Effective contractual arrangements;
- q. Access to learning experiences from other partnerships;
- r. Appropriate delegation of powers from parent organizations:
  - i. The representatives of the partners in the partnership have sufficient delegated decision-making powers;
  - ii. Policy-making powers are delegated with care, if at all;
- s. Partnership design:
  - i. Conduct a pre-partnership viability assessment;
  - ii. PPPs should be chosen as delivery mechanism only when the PPP model is appropriate to the circumstances;
- t. Structuring the partnership:
  - i. Create new organizational collaboration and innovation space;
  - ii. Clearly defined project organization structure;
  - iii. Organizational flexibility;

- iv. Structure partnerships for success.
- v. Symmetry of information;
- vi. Establish institutional arrangements with care;
- u. Comprehensive partner-selection process;
  - i. Previous experience of partners in partnerships;
  - ii. Open competition in the selection of partners;
  - iii. An experienced and competent private partner;
  - iv. Selecting partners with experience in the applicable field;
  - v. Selecting a partner that can contribute the most value to the partnership;
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  - iv. Defined structural relationships;
  - v. Limited governance and delivery gaps;
  - vi. Low overlap and duplication;

7) Power relationships:

- a. Understanding and adjusting for the influence of power relationships upon partnership governance;
- b. Capacity should be balanced in a partnership;
- c. Equality within partnership;
- d. Power sharing;
- e. Balancing of power;
- f. Balanced representivity.

8) Transparency and accountability:

- a. Transparent procurement processes;
- b. Stakeholders should be empowered to understand that which is supposed to be transparent;
- c. Fully transparent procurement system;
- d. Fighting corruption:
  - i. Procedural disincentives for corruption;
  - ii. Blacklisting of corrupt contractors;

9) Performance management:



- a. Civil society assistance with performance measurement;
- b. Evaluation system (which could include inspection);
- c. Regular partnership review and reconsideration;
- d. Ongoing performance management;
- e. Shared and agreed performance measurement indicators;
- f. Measure performance against individual and combined goals;
- g. Shared success or failure evaluation;
- h. Performance oriented goals;
- i. Clearly delineated metrics for performance and reporting;
- j. Outcomes-based performance measurement and management;
- k. Measure performance against mission / objectives;
- l. Effective, unbiased programme evaluation;
- m. Programme impact is aligned to outputs specified in programme theory;
- n. Goals are actively pursued and performance of the partnership is monitored and evaluated against these goals;
- o. Deliver to service standards;
- p. Match performance to promises;

10) Internal governance:

- a. Correct choice of partnership model;
- b. Clear objectives, policies and principles;
- c. Simplified decision-making;
- d. Devolve authority for decision-making to the lowest possible level;
- e. Joint capacity building session;
- f. Environmental monitoring:
  - i. Sensitivity to the environment and its influence on the partnership;
  - ii. Ability to adapt to environmental changes;
  - iii. Consider the impact of external factors (environment / stakeholders);
- g. Sensitivity to environment / context:
  - i. Achieve a fit between the industry evolution context, personal networks of entrepreneurs, behaviours of entrepreneurs, motivations of stakeholders, and the structures and strategies of the organization;

- ii. Consider political acceptability;
- h. Establish single coordination point;
- i. Manage authority vacuum through collegiate decision-making;
- j. Choose optimal organizational structure;
- k. Clearly defined method of dispute resolution;
- l. Reducing and managing complexity;
- m. Streamlined, appropriate procedures;
- n. Effective performance management;
- o. Formalized inclusive and consensual decision-making;
- p. Clear assignment of specific decision-making powers;
- q. Improved effectiveness and efficiency;
- r. Adequate skills and managerial capacity;
- s. Efficient knowledge and information management;
- t. Defined and efficient decision-making;
- u. Use of appropriate management instruments;
- v. Appropriate levels of formality;

#### 11) Contracting:

- a. Ensure tender invitations are complete with all necessary information;
- b. Standardized forms and methodology for bid adjudication;
- c. Fair contract enforcement mechanisms;
- d. Contract management to ensure adherence and punish non-compliance;
- e. Contract design should reflect conditions;
- f. Contract management;
- g. Contract negotiations;
- h. Don't get lost in the fine print;
- i. Detailed specifications;
- j. Simplify specifications by focusing on outputs and outcomes;
- k. Flexible contracts with simple, robust contract variation procedures;
- l. Properly designed contract;
- m. Clear description of the responsibilities of each partner;
- n. Open procurement process;
- o. Bid evaluation:

- i. Considering the appointment of external consultants to work with the government agency on the evaluation of bids;

#### 12) Cost management:

- a. Increased awareness of cost management among public staff;
- b. Integration of activities to enable cost sharing;
- c. Compare costs and performance with alternatives;
- d. Reduced transaction cost;
- e. Cost of product and service production must be determined;
- f. Compare information costs under alternatives;

#### 13) Stakeholder engagement:

- a. Clear identification of all stakeholders;
- b. Open and candid communication with all stakeholders, taking into regard the concerns and priorities of each stakeholder;
- c. Conscious stakeholder relationship management;
- d. Keep all stakeholders informed of all aspects of project, with specific focus on the intent, purpose, and means of implementation of the project;
- e. Counter misperceptions and myths through audience-appropriate, candid and factual information;
- f. Recognizing the role of civil society to act on behalf of the community;
- g. Policy statement to all stakeholders;
- h. Effective communication with all stakeholders;
- i. Engagement with organized labour:
  - i. Consider organized labour opinions;
  - ii. Positive engagement with organized labour:
  - iii. Seeking labour support;
  - iv. Having due consideration for labour concerns and priorities;
- j. Reduction in potential for political interference;
- k. Honest, positive, transparent and constructive consultation with stakeholders;
- l. Real engagement of excluded voices;
- m. Understanding of and capacity for engagement with external and internal stakeholders;
- n. Effective communication across barriers such as language;

o. Absence of gatekeepers and allegiances;

14) Effective communication:

a. Communication responsibility should be shared among partners, and communication should come from the most appropriate partner for the specific communication;

15) Purposeful collaboration:

- a. Develop a collaborative process;
- b. Provide incentives for effective collaboration;
- c. Experiment with collaboration options;
- d. Build interpersonal skills for collaboration;
- e. Build on the assets of potential partners;
- f. Appropriate levels of integration and coordination;
- g. Appropriate levels of interdependence;
- h. Sustained collaborative effort;
- i. Intra-partnership awareness of other partners' missions, goals and objectives;
- j. Role-players pool and share resources;
- k. Public sector remains significant role-player;
- l. Mobilization of a coalition of interests drawn from more than one sector;

16) Supportive systems:

- a. Procurement systems that support the partnership approach;
- b. Rally public, political and administrative support;
- c. Establish support mechanisms / partnership enablers;
- d. Strong local ownership;
- e. Community support;

17) Supportive environment:

- a. Supportive policy and political environment;
- b. Supportive models of public-private interaction;
- c. Sufficient social capital to accommodate the social capital requirements of the partnership and/or sufficient time to build social capital;
- d. Supportive, enabling legal environment:
  - i. A statutory foundation (enabling legal environment);
  - ii. Public officials must identify and remove legislative, regulatory and administrative impediments;

- iii. Access to fair and unbiased judicial relief;
- iv. Regulation to prevent abuse;
- e. Stakeholder support;
- f. Citizen and community interest and involvement;

18) Flexibility to adapt to changing circumstances:

- a. Flexibility - renegotiating outcomes based on changing conditions;
- b. Manage flexibly around key values and performance objectives;
- c. Achieving context specific requirements, such as black economic empowerment in South Africa;

19) Financial analysis, planning and sustainability;

- a. Early appointment of a designated team or individual to identify finance sources;
- b. An assured income stream for the duration of the partnership;

20) Service delivery:

- a. Understanding the business at hand, e.g. water and sanitation;
- b. Quality focus;
- c. Services should be delivered in a manner that is *safe* to users;
- d. Delivery of services that are accessible - easy to use and delivered in a manner and at a place which is convenient for the target market they are intended for;

21) Human resources

- a. Skills:
  - i. Strategic and financial skills within the public sector partner;
  - ii. Strategic human capital plan to acquire the correct skills;
  - iii. Appropriate skills within the public sector partner;
  - iv. Build entrepreneurial skills;
  - v. Workforce development plan;
  - vi. Acquire new governance skills set;
  - vii. Private sector experience for the public sector;
  - viii. Invest in the best and brightest human capital for the public sector;
  - ix. Develop appropriate set of core competencies
  - x. Appoint individuals with entrepreneurial experience and skills;
  - xi. Invest in skills and competencies;

- xii. Public sector human capital in contract and network management;
- xiii. Improve capacity for tactical decision-making;
  - b. Use people with a collaborative mindset;
  - c. Skills transfer possible from public to private sector;
  - d. Financial capacity;

22) Partners contribute according to their capacity:

- a. Focus on the required public outcome;
- b. Aim to make meaningful enhancements to the status quo;
- c. Make meaningful, even if imperfect, enhancements to the status quo;
- d. First focus on public value, what public outcome must be produced;
- e. Manage around key values and performance objectives;

23) Use public resources effectively and judiciously;

- a. Efficient utilization of scarce resources;
- b. Use land ownership as a way for the public to control the projects;

24) Use all available resources, not only monetary, to bring partnerships together;

- a. Consider finance as a tool among many others;

25) Willing private partner:

- a. Appropriate incentive and reward structures;
- b. Profit potential for private sector;
- c. Fair returns for private partners;
- d. Real incentives for the private sector;
- e. Market opportunity
  - i. Reasonable expectation of private sector interest due to potential market;

26) Willing public partner:

- a. Strategic understanding of partnerships within the public sector partner;
- b. Minimizing the bureaucratic procedures that can cripple a project;
- c. Support for public managers to explore and implement the PPP option;

27) Compatibility:

- a. Shared applications (e.g. software);
- b. Similar technologies, procedures, systems and equipment;
- c. Shared communication channels;
- d. Shared semantics;

- e. A well-developed shared vocabulary;
- f. Shared experiences in field;
- g. Similar cultures or overcoming cultural and institutional differences;
- h. Cultures that embrace collaboration;
- i. Similar measurements of success;
- j. Synchronization of partners' business processes;
- k. Philosophical match between the private and public partners or overcoming potential conflict caused by differences in philosophy;
- l. Common ground in terms of political doctrine;
- m. Compatible levels of technical expertise;
- n. A common understanding of the concept of public-private partnership;

28) Value for money:

- a. Delivery of affordable services not exceeding public provision costs;
- b. Robust procurement methodology that ensures value for money;

29) Risk management:

- a. Integrated risk management - clear and fair risk balance;
- b. Identify and actively manage risks;
- c. Clear risk allocation;
- d. Risk transfer to private sector;
- e. Risk sharing;

30) Government oversight;

31) Strong programme conceptualization;

- a. A public need is met:
  - i. Private sector provides a traditionally public service against an outputs-based specification for a significant period of time;
- b. Prepare and oversee an agreed strategy;
- c. Common vision and objective;
- d. Defined purpose;
- e. Clearly identified pre-determined goals or outcomes for the partnership;
- f. Clear mandates and authority;
- g. Clarity, plausibility, feasibility, and appropriateness of programme theory which shows cause-effect relationships leading to required outcome;
- h. Shared project design and planning;

- i. Consider context in establishing mission and objectives;
- j. Appropriate performance indicators for which data is available and collection is feasible;
- k. Government must be sure of what it wants;
- l. Known outputs;
- m. Quantified process;
- n. Clear project definition and scope management;
- o. Ensure appropriate project handover that empowers the client;
- p. Focus on appropriate product development and service delivery;
- q. Know what customers expect;
- r. Select correct service design standards;

32) Look at complete product life cycle, not only project life cycle;

33) Pursue the triple bottom line:

- a. Greater environmental responsibility;
- b. Protection of the environment;
- c. Social equity and economic empowerment focus;

34) Partnership character:

- a. The service involved is appropriate for delivery through partnership;
- b. Reasonable resource costs;
- c. Clear, agreed goals;
- d. Achievement of an important social benefit;
- e. A focus on positive goals, positive social impact and public good;
- a. Increased effectiveness in use of resources;

### **13.6 CONSOLIDATED SUCCESS FACTORS FROM CHAPTER 6**

1) Formal agreements are not necessarily required to make a partnership successful;

2) Circumstances that force a collective response:

- a. Common fear of an external threat can motivate parties to form partnerships and ensure that such partnerships work;



- b. The need for a survival strategy can be an indicator for motivation to ensure success – a crisis ensures focused collaboration and increase the chance of success;

3) Real collaboration:

- a. Honest, sincere and respectful collaboration in meetings;

4) Procurement / contracting:

- a. Robust internal process to evaluate proposals;

5) Financial control:

- a. Transparency in financial management;
- b. Joint control of partnership funds;
- c. Joint prioritization of spending;

6) Internal relationship management:

- a. Equality within the partnership;
- b. Openness and communication;
- c. Conflict management;
- d. Positive attitudes;
- e. Goodwill;
- f. Transparent decision-making processes;
- g. Willingness and ability to trust the partnership;

7) Structuring partnership processes:

- a. Established, respected processes;
- b. Participation in rule-setting;
- c. Transparency and peer review within partnership;
- d. Clear purpose, roles and responsibilities;
- e. Joint decision-making;
  - i. Purposeful collaboration;

8) Customer service focus:

- a. Right service at the right place at the right time;
- b. Understanding the value of clients' perspectives;
- c. Focus on high priority areas and clients (e.g. deprived areas for social programmes);

9) Collaborative innovation:

- a. Flexibility to exploit opportunities;
- b. Focus on innovation and improving the status quo;

10) Satisfying context-specific legal requirements, such as BEE In South Africa;

11) Comprehensive preparations for programme conceptualization:

- a. Pre-contract / Conceptualization:
  - i. Proposed public partners need to agree to establishment;
  - ii. Availability of financing;
  - iii. Following due legal process;
  - iv. Properly mandated representatives;
  - v. Market research;
- b. Well-defined procurement process;
- c. Source expert advice in contracting phase;
- d. Transparency and accountability;

12) Benefits and incentives:

- a. All partners should be able to benefit;

13) Supportive environment:

- a. The project is a priority within a strategic plan;
- b. Stakeholder and community support and involvement;
- c. Stakeholder support;

14) Supportive public sector:

- a. Public political will;
- b. High-level political leadership / champion;
- c. Active public sector involvement;

15) A public need exists which was not satisfied by government:

- a. A market or demand exists for the service;
- b. A public need must exist;
- c. A market exists for the service being delivered;
- d. Sufficient public users of the service (market);
- e. Satisfying a public necessity - modern cities require modern transport structure;
- f. If a sector (either public or private) fails to provide a required service and the need still exists, PPPs are possible;
- g. A market for a specific public service exists but is not satisfied by the existing public or private sector;

16) Commitment:

- a. Commitment to partnership goals;

17) Partner selection:

- a. Experience in the service to be delivered;
- b. Partners contribute according to their strengths; each partner to contribute according to its own strengths;
- c. Different types of risk are carried by the partner most suitable for it;
- d. Available potential partners with the capacity to participate;
- e. Local entrepreneurship.

**13.7 CONSOLIDATED SUCCESS FACTORS AT END OF CHAPTER 6**

1) Leadership:

- a. Strong leadership to overcome institutional inertia / resistance to change:
  - i. Good leadership and interpersonal relationships;
  - ii. Clear direction;
- b. Strong champion or driver:
  - i. Strong individual champions in the private partner;
- c. Visible political leadership:
  - i. Well-informed political leadership involvement from public partner;
  - ii. Stable political leadership;
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- d. Recognize the importance of perceptions among leadership;
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- v. Symmetry of information;
- vi. Establish institutional arrangements with care;
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  - v. Selecting a partner that can contribute the most value to the partnership;
  - vi. Partners contribute according to their strengths;
  - vii. Different types of risk are carried by the partner most suitable for it;
  - viii. Available potential partners with the capacity to participate;
  - ix. Local entrepreneurship;
- v. Recognizable institutional form created:
  - i. Involvement of both public and private sectors;
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  - iv. Defined structural relationships;
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- b. Evaluation system (which could include inspection);
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- i. Clearly delineated metrics for performance and reporting;
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- n. Goals are actively pursued and performance of the partnership is monitored and evaluated against these goals;
- o. Deliver to service standards;
- p. Match performance to promises;

10) Internal governance:

- a. Correct choice of partnership model;
- b. Clear objectives, policies and principles;
- c. Simplified joint decision-making;
- d. Devolve authority for decision-making to the lowest possible level;
- e. Joint capacity building session;
- f. Environmental monitoring:
  - i. Sensitivity to the environment and its influence on the partnership;

- ii. Ability to adapt to environmental changes;
- iii. Consider the impact of external factors (environment / stakeholders);
- g. Sensitivity to environment / context:
  - i. Achieve a fit between the industry evolution context, personal networks of entrepreneurs, behaviours of entrepreneurs, motivations of stakeholders, and the structures and strategies of the organization;
  - ii. Consider political acceptability;
- h. Establish single coordination point;
- i. Manage authority vacuum through collegiate decision-making;
- j. Choose optimal organizational structure;
- k. Clearly defined method of dispute resolution;
- l. Reducing and managing complexity;
- m. Streamlined, appropriate, respected procedures;
- n. Effective performance management;
- o. Formalized inclusive and consensual decision-making;
- p. Clear assignment of specific decision-making powers;
- q. Improved effectiveness and efficiency;
- r. Adequate skills and managerial capacity;
- s. Efficient knowledge and information management;
- t. Defined and efficient decision-making;
- u. Use of appropriate management instruments;
- v. Appropriate levels of formality;
- w. Participate rule-setting;
- x. Transparency and peer review within partnership;
- y. Clear purpose, roles and responsibilities;
- z. Purposeful collaboration;

#### 11) Contracting:

- a. Ensure tender invitations are complete with all necessary information;
- b. Standardized forms and methodology for bid adjudication;
- c. Fair contract enforcement mechanisms;
- d. Contract management to ensure adherence and punish non-compliance;



- e. Contract design should reflect conditions;
- f. Contract management;
- g. Contract negotiations;
- h. Don't get lost in the fine print;
- i. Detailed specifications;
- j. Simplify specifications by focusing on outputs and outcomes;
- k. Flexible contracts with simple, robust contract variation procedures;
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- m. Clear description of the responsibilities of each partner;
- n. Open procurement process;
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  - i. Considering the appointment of external consultants to work with the government agency on the evaluation of bids;
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- b. Integration of activities to enable cost sharing;
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- d. Reduced transaction cost;
- e. Cost of product and service production must be determined;
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#### 13) Stakeholder engagement:

- a. Clear identification of all stakeholders;
- b. Open and candid communication with all stakeholders, taking into regard the concerns and priorities of each stakeholder;
- c. Conscious stakeholder relationship management;
- d. Keep all stakeholders informed of all aspects of project, with specific focus on the intent, purpose, and means of implementation of the project;
- e. Counter misperceptions and myths through audience-appropriate, candid and factual information;
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- b. Rally public, political and administrative support;

- c. Establish support mechanisms / partnership enablers;
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- vi. Acquire new governance skills set;
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- viii. Invest in the best and brightest human capital for the public sector;
- ix. Develop appropriate set of core competencies;
- x. Appoint individuals with entrepreneurial experience and skills;
- xi. Invest in skills and competencies;
- xii. Public sector human capital in contract and network management;
- xiii. Improve capacity for tactical decision-making;

b. Use people with a collaborative mindset;

c. Skills transfer possible from public to private sector;

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- c. Support for public managers to explore and implement the PPP option;
- d. Public political will;
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- f. Active public sector involvement;

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- a. Shared applications (e.g. software);
- b. Similar technologies, procedures, systems and equipment;
- c. Shared communication channels;
- d. Shared semantics;
- e. A well-developed shared vocabulary;
- f. Shared experiences in field;
- g. Similar cultures or overcoming cultural and institutional differences;
- h. Cultures that embrace collaboration;
- i. Similar measurements of success;
- j. Synchronization of partners' business processes;
- k. Philosophical match between the private and public partners or overcoming potential conflict caused by differences in philosophy;
- l. Common ground in terms of political doctrine;
- m. Compatible levels of technical expertise;
- n. A common understanding of the concept of public-private partnership;

28)Value for money:

- a. Delivery of affordable services not exceeding public provision costs;
- b. Robust procurement methodology that ensures value for money;

29) Risk management:

- a. Integrated risk management - clear and fair risk balance;
- b. Identify and actively manage risks;
- c. Clear risk allocation;
- d. Risk transfer to private sector;
- e. Risk sharing;

30) Government oversight;

31) Strong programme conceptualization:

- a. A public need is met:
  - i. Private sector provides a traditionally public service against an outputs-based specification for a significant period of time;
- b. Prepare and oversee an agreed strategy;
- c. Common vision and objective;
- d. Defined purpose;
- e. Clearly identified pre-determined goals or outcomes for the partnership;
- f. Clear mandates and authority;
- g. Clarity, plausibility, feasibility and appropriateness of programme theory which shows cause-effect relationships leading to required outcome;
- h. Shared project design and planning;
- i. Consider context in establishing mission and objectives;
- j. Appropriate performance indicators for which data is available and collection is feasible;
- k. Government must be sure of what it wants;
- l. Known outputs;
- m. Quantified process;
- n. Clear project definition and scope management;
- o. Ensure appropriate project handover that empowers the client;
- p. Focus on appropriate product development and service delivery;
- q. Know what customers expect;
- r. Select correct service design standards;
- s. Comprehensive preparations for programme conceptualization:
  - i. Pre-contract / Conceptualization:
    - 1. Proposed public partners need to agree to establishment;
    - 2. Availability of financing;

3. Following due legal process;
  4. Properly mandated representatives;
  5. Market research;
  - ii. Well-defined procurement process;
  - iii. Source expert advice in contracting phase;
  - iv. Transparency and accountability;
- 32) Look at complete product life cycle, not only project life cycle;
- 33) Pursue the triple bottom line:
- a. Greater environmental responsibility;
  - b. Protection of the environment;
  - c. Social equity and economic empowerment focus;
- 34) Partnership character:
- a. The service involved is appropriate for delivery through partnership;
  - b. Reasonable resource costs;
  - c. Clear, agreed goals;
  - d. Achievement of an important social benefit;
  - e. A focus on positive goals, positive social impact and public good;
  - f. Increased effectiveness in use of resources;
- 35) Formal agreements are not necessarily required to make a partnership successful;
- 36) A public need exists which is not satisfied by the public sector:
- a. A market or demand exists for the service;
  - b. A public need must exist;
  - c. A market exists for the service being delivered;
  - d. Sufficient public users of the service (market);
  - e. Satisfying a public necessity - modern cities require modern transport structure;
  - f. If a sector (either public or private) fails to provide a required service and the need still exists, PPPs are possible;
  - g. A market for a specific public service exists but is not satisfied by the existing public or private sector;
- 37) Circumstances that force a collective response:
- a. Common fear of an external threat can motivate parties to form partnerships and ensure that such partnerships work;

- b. The need for a survival strategy can be an indicator for motivation to ensure success – crisis ensures focused collaboration and increases the chance of success;

38) Real collaboration:

- a. Honest, sincere and respectful collaboration in meetings;

39) Internal relationship management:

- a. Equality within the partnership;
- b. Openness and communication;
- c. Conflict management;
- d. Positive attitudes;
- e. Goodwill;
- f. Transparent decision-making processes;
- g. Willingness and ability to trust the partnership;

40) Customer service focus:

- a. Right service at the right place at the right time;
- b. Understanding the value of clients' perspectives;
- c. Focus on high priority areas and clients (e.g. deprived areas for social programmes);

41) Collaborative innovation:

- a. Flexibility to exploit opportunities;
- b. Focus on innovation and improving the status quo;

42) Satisfying context specific legal requirements, such as BEE In South Africa;

43) Commitment:

- a. Commitment to partnership goals.

### **13.8 CONSOLIDATED SUCCESS FACTORS AT END OF CHAPTER 7**

1) Leadership:

- a. Strong leadership to overcome institutional inertia / resistance to change:
  - i. Good leadership and interpersonal relationships;
  - ii. Clear direction;
- b. Strong champion or driver:



- i. Strong individual champions in the private partner;
  - c. Visible political leadership:
    - i. Well-informed political leadership involvement from public partner;
    - ii. Stable political leadership;
    - iii. Appropriate levels of political involvement;
    - iv. Protection against political interference;
    - v. Policy consistency;
    - vi. Reduce vulnerability to political pressure;
  - d. Recognize the importance of perceptions among leadership;
  - e. Commitment of and leadership from top management in the public partner;
  - f. Clear division of responsibility of functions;
  - g. High-profile proponents / champions of the model;
  - h. Competent, motivated management;
  - i. Favourable internal political environment;
  - j. Motivation;
- 2) Partners ready for partnership:
  - a. Partners able to pursue individual goals;
  - b. Partners contribute portions of resources;
  - c. Partners contribute according to own comparative advantage;
  - d. Available potential partners;
  - e. Understanding the other partner;
  - f. Previous partnership experience;
  - g. Relationship of trust:
    - i. Trust built on reciprocity;
    - ii. Mutual trust and respect between / among leaders;
  - h. Organizational cultures receptive for partnership;
  - i. Public sector understanding of private sector incentives and NGO approaches;
  - j. Genuine engagement of public sector with policies promoting partnership;
  - k. Public sector inter-departmental cooperation in support of partnership;
  - l. Price flexibility from private partner;

m. Effective change management;

n. Commitment:

- i. Willingness to invest time and effort;
- ii. Support of stakeholders;
- iii. Continued active involvement of public partner;
- iv. Commitment to the partnership process by all partners;
- v. Public sector commitment;

3) Learning:

- a. Use lessons from private enterprise;
- b. Observe the “generic observations” on partnership success;

4) Common purpose, goal alignment, synergy and mutual benefit:

- a. The existence of potential for synergy between partners;
- b. Clarity and openness about individual and collective agendas and purpose;
- c. Confirm each partner’s individual goals;
- d. Confirm the collective goal of the partnership;
- e. Synergy between individual and collective agendas;
- f. Synergy between individual, collective and societal benefits;
- g. Build real partnership, with shared burdens and shared rewards;
- h. Common goals: Goal alignment between partners and partnership;
- i. Realistic joint goal setting;
- j. Mutual benefit:
  - i. Satisfaction of consumers, decision-makers and private partner;
  - ii. The partnership should deliver mutual benefit;
  - iii. All partners obtain pre-defined benefit;
  - iv. Private sector receives benefit / award;
  - v. All partners should be able to benefit;

5) Goal achievement:

- a. Achievement by the partnership of desired goals or outcomes;
- b. Role-players achieve common goals;

6) Partnership establishment:

- a. Seeing partnership formation as the formation of new for-profit enterprises based on social or environmental objectives and values;
- b. Support in the implementation of partnerships;

- c. Rationalize the number of partners;
- d. Understanding of the original partnering motivations and conditions;
- e. Focus the scope and content of the partnership arrangement;
- f. Establish appropriate organizational and contractual arrangements;
- g. Establish sound partnership principles;
- h. Expedite access to staff and premises for new suppliers;
- i. Confirm / ensure statutory and regulatory authorization;
- j. Create teams with diversity to encourage creativity;
- k. Focus on discovering and exploiting partnership opportunities;
- l. Structure the venture with a focus on outcomes;
- m. Develop effective knowledge-sharing practices;
- n. Clear lines of accountability;
- o. Comprehensive all-stakeholder calculation of total benefit;
- p. Effective contractual arrangements;
- q. Access to learning experiences from other partnerships;
- r. Appropriate delegation of powers from parent organizations:
  - i. The representatives of the partners in the partnership have sufficient delegated decision-making powers;
  - ii. Policy-making powers are delegated with care, if at all;
- s. Partnership design:
  - i. Conduct a pre-partnership viability assessment;
  - ii. PPPs should be chosen as delivery mechanism only when the PPP model is appropriate to the circumstances;
- t. Structuring the partnership:
  - i. Create new organizational collaboration and innovation space;
  - ii. Clearly defined project organization structure;
  - iii. Organizational flexibility;
  - iv. Structure partnerships for success;
  - v. Symmetry of information;
  - vi. Establish institutional arrangements with care;
  - vii. Lean and focused organization;
- u. Comprehensive partner-selection process:
  - i. Previous experience of partners in partnerships;
  - ii. Open competition in the selection of partners;

- iii. An experienced and competent private partner;
- iv. Selecting partners with experience in the applicable field;
- v. Selecting a partner that can contribute the most value to the partnership;
- vi. Partners contribute according to their strengths;
- vii. Different types of risk are carried by the partner most suitable for it;
- viii. Available potential partners with the capacity to participate;
- ix. Local entrepreneurship;
- v. Recognizable institutional form created:
  - i. Involvement of both public and private sectors;
  - ii. Several stakeholders involved;
  - iii. Contractual arrangement in place;
  - iv. Defined structural relationships;
  - v. Limited governance and delivery gaps;
  - vi. Low overlap and duplication;

7) Power relationships:

- a. Understanding and adjusting for the influence of power relationships upon partnership governance;
- b. Capacity should be balanced in a partnership;
- c. Equality within partnership;
- d. Power sharing;
- e. Balancing of power;
- f. Balanced representivity.
- g. Manage power relations to ensure equality, mutual respect and shared goals and objectives;

8) Transparency and accountability:

- a. Transparent procurement processes;
- b. Stakeholders should be empowered to understand that which is supposed to be transparent;
- c. Fully transparent procurement system;
- d. Fighting corruption:
  - i. Procedural disincentives for corruption;
  - ii. Blacklisting of corrupt contractors;

- e. Ethical conduct;
- f. Addressing vulnerability to corruption and nepotism;

9) Performance management:

- a. Civil society assistance with performance measurement;
- b. Evaluation system (which could include inspection);
- c. Regular partnership review and reconsideration;
- d. Ongoing performance management;
- e. Shared and agreed performance measurement indicators;
- f. Measure performance against individual and combined goals;
- g. Shared success or failure evaluation;
- h. Performance oriented goals;
- i. Clearly delineated metrics for performance and reporting;
- j. Outcomes-based performance measurement and management;
- k. Measure performance against mission / objectives;
- l. Effective, unbiased programme evaluation;
- m. Programme impact is aligned to outputs specified in programme theory;
- n. Goals are actively pursued and performance of the partnership is monitored and evaluated against these goals;
- o. Deliver to service standards;
- p. Match performance to promises;
- q. Focus on long-term sustainability instead of quick wins;

10) Internal governance:

- a. Correct choice of partnership model;
- b. Clear objectives, policies and principles;
- c. Simplified joint decision-making;
- d. Devolve authority for decision-making to the lowest possible level;
- e. Joint capacity building session;
- f. Environmental monitoring:
  - i. Sensitivity to the environment and its influence on the partnership;
  - ii. Ability to adapt to environmental changes;
  - iii. Consider the impact of external factors (environment / stakeholders);
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- u. Use of appropriate management instruments;
- v. Appropriate levels of formality;
- w. Participation in rule-setting;
- x. Transparency and peer review within partnership;
- y. Clear purpose, roles and responsibilities;
- z. Purposeful collaboration;
- aa. Clear organizational structure with clear responsibility lines within the PPP;
- bb. Realistic promises, full delivery;
- cc. Realistic objectives and expectations;
- dd. Time management;
- ee. Resource planning (material, human or financial);

#### 11) Contracting:

- a. Ensure tender invitations are complete with all necessary information;
- b. Standardized forms and methodology for bid adjudication;
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  - viii. Invest in the best and brightest human capital for the public sector;
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  - xiii. Improve capacity for tactical decision-making;

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- xv. Training and skills development for partnership participation;

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- k. Philosophical match between the private and public partners or overcoming potential conflict caused by differences in philosophy;
- l. Common ground in terms of political doctrine;
- m. Compatible levels of technical expertise;
- n. A common understanding of the concept of public-private partnership;

28) Value for money:

- a. Delivery of affordable services not exceeding public provision costs;
- b. Robust procurement methodology that ensures value for money;

29) Risk management:

- a. Integrated risk management - clear and fair risk balance;
- b. Identify and actively manage risks;
- c. Clear risk allocation;
- d. Risk transfer to private sector;
- e. Risk sharing;
- f. Planned shared risk management;

30) Government oversight:

31) Strong programme conceptualization:

- a. A public need is met:
  - i. Private sector provides a traditionally public service against an output-based specification for a significant period of time;
- b. Prepare and oversee an agreed strategy;

- c. Common vision and objective;
  - d. Defined purpose;
  - e. Clearly identified pre-determined goals or outcomes for the partnership;
  - f. Clear mandates and authority;
  - g. Clarity, plausibility, feasibility, and appropriateness of programme theory which shows cause-effect relationships leading to required outcome;
  - h. Shared project design and planning;
  - i. Consider context in establishing mission and objectives;
  - j. Appropriate performance indicators for which data is available and collection is feasible;
  - k. Government must be sure of what it wants;
  - l. Known outputs;
  - m. Focus on outcomes;
  - n. Quantified process;
  - o. Clear project definition and scope management;
  - p. Ensure appropriate project handover that empowers the client;
  - q. Focus on appropriate product development and service delivery;
  - r. Know what customers expect;
  - s. Select correct service design standards;
  - t. Comprehensive preparations for programme conceptualization:
    - i. Pre-contract / Conceptualization:
      - 1. Proposed public partners need to agree to establishment;
      - 2. Availability of financing;
      - 3. Following due legal process;
      - 4. Properly mandated representatives;
      - 5. Market research;
    - ii. Well-defined procurement process;
    - iii. Source expert advice in contracting phase;
  - u. Transparency and accountability;
  - v. Conduct appropriate business case research;
- 32) Look at complete product life cycle, not only project life cycle;
- 33) Pursue the triple bottom line:
- a. Greater environmental responsibility;
  - b. Protection of the environment;

c. Social equity and economic empowerment focus;

34) Partnership character:

- a. The service involved is appropriate for delivery through partnership;
- b. Reasonable resource costs;
- c. Clear, agreed goals;
- d. Achievement of an important social benefit;
- e. A focus on positive goals, positive social impact and public good;
- f. Increased effectiveness in use of resources;

35) Formal agreements are not necessarily required to make a partnership successful;

36) A public need exists which is not satisfied by the public sector:

- a. A public need must exist;
- b. A market exists for the service being delivered;
- c. Sufficient public users of the service (market);
- d. Satisfying a public necessity;
- e. If a sector (either public or private) fails to provide a required service and the need still exists, PPPs are possible;
- f. A market for a specific public service exists but is not satisfied by the existing public or private sector;
- g. Clearly defined unsatisfied need for a product or a service;

37) Circumstances that force a collective response:

- a. Common fear of an external threat can motivate parties to form partnerships and ensure that such partnerships work;
- b. The need for a survival strategy can be an indicator for motivation to ensure success – crisis ensures focused collaboration and increase the chance of success;

38) Internal relationship management:

- a. Equality within the partnership;
- b. Openness and communication;
- c. Conflict management;
- d. Positive attitudes;
- e. Goodwill;
- f. Transparent decision-making processes;
- g. Willingness and ability to trust the partnership;

h. Allow time for processes, attempt synchronization;

39) Customer service focus:

- a. Right service at the right place at the right time;
- b. Understanding the value of clients' perspectives;
- c. Focus on high priority areas and clients (for example, deprived areas for social programmes);
- d. Customer satisfaction;
- e. Enhanced service delivery to communities;

40) Collaborative innovation:

- a. Flexibility to exploit opportunities;
- b. Focus on innovation and improving the status quo;

41) Satisfying context-specific legal requirements, such as BEE In South Africa;

42) Commitment:

- a. Commitment to partnership goals;
- b. Commitment and resilience to setbacks;

43) Knowing when to end a positive relationship:

- a. Post-project survival.