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Public Private Partnership: from the contractual to the multi-stakeholders cooperative model

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1. Conceptual background

The diffusion of public private mode of governance is generally attributed to two different factors: one concerning the "crisis of the state" (Cassese 2002) and the other one concerning the increase in demand of participation by local communities.

The choice of many government to involve civil society actors in the process of formulation and implementation of public policies seems to be linked to certain deficit of the current public regulatory structures and in particular to deficit of financial resources, organizational resources, of knowledge, and consensus (Sparano 2004). The creation of public-private partnerships then comes from the need for public institutions to raise additional financial resources to cover increasingly stringent budget constraints.

The goal in these cases is "budget enlargement" [Mackintosh 1992 cit. in Hastings 1996] to which is added the need to "do more with less".

On the other side, public goods are more and more often provided by private business entities or non-governmental organizations. The creation of partnerships between these stakeholders thus appears as the means to take advantage of the coordination of fragmented organizational resources.

Finally, as Denters and Rose states "the rise of more output-oriented, more demanding, more critical and more action-prone citizens forces local government to improve their capacity for effective and efficient governance." (Denters and Rose, 2005)

The spreading of these forms of collaborative governance can therefore be considered part of a strategy to open up the decision-making process to local interest groups, entrepreneurs and private citizens who demand a greater say in the choices involving the territory where they live

The partnership is not just cooperation (Sparano, op. cit.); the term "partnership" introduces some innovative aspects compared to merely cooperation processes.

The partnership is indeed a form of association that implies an effective and continue interaction between the actors who tend to become a collective actor; be partners means to tightly integrate their actions to achieve the objectives of common interest.

Partnership is "a joint working arrangement where the partners:

- are otherwise independent bodies;
- agree to co-operate to achieve a common goal;
- create a new organizational structure or process to achieve this goal, separate from their own organizations;
- plan and implement a jointly agreed program, often with joint staff or resources;
- share relevant information;
- pool risk and rewards

Partnerships, therefore, can be considered as modality that "promotes routine interaction in given policy among governmental and non-governmental actors, and in which there is no monopoly by public actors of either problem definition or methods of implementation" (Culpepper 2002).

2. Approach

In the European Union the term "public-private partnership" refers to forms of co-operation between public authorities and the private sector which aim at ensuring the funding, construction, renovation, management and maintenance of infrastructure associated with the provision of a service. *(European Union, 2004)*

In the view of UN, PPP has seen as a tool for enabling private sector and Governments working together increasingly on projects that are noticeably improving the position of the poor, weak and vulnerable groups in society. The Un envisages many obstacles to for developing and implementing public-private partnership projects because of the lack of knowledge and skills in the public sector, and the scarce awareness of the private sector about the potential of the public-private partnership relationship. (UN, 2011)

According to ILO, public–private partnerships are voluntary and collaborative relationships among various actors in both public (State) and private (non-State) sectors, in which all participants agree to work together to achieve a common goal or undertake specific tasks. Partnerships may serve various purposes, including advancing a cause, to implement normative standards or codes of conduct, or to share and coordinate resources and expertise. They may consist of a specific single activity, or may evolve into a set of actions or even an enduring alliance, building consensus and ownership with each collaborating organization and its stakeholders. While they vary considerably, such partnerships are typically established as structured cooperative efforts with a sharing of responsibilities as well as expertise, resources and other benefits. (ILO, 2008)

The British Columbia defines a public private partnership as a legally binding contract between government and business for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners. In a P3 arrangement, government remains actively involved throughout the project's life cycle. The private sector is responsible for the more commercial functions such as project design, construction, finance and operations. (British Columbia, 2003)

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Partnership may involve activities such as funding or donations in kind by or between actors in the partnership; joint development and implementation of projects, services, or other operational activities; organization of meetings or events; joint campaigning or advocacy; cooperative research and publications; temporary exchange of staff; or arrangements concerning the exchange or pooling of knowledge and information.

As part of the analysis of the European Union Green Paper, it is proposed to make a distinction between:

- PPPs of a purely contractual nature, in which the partnership between the public and the private sector is based solely on contractual links. We'll name it **PPCP**.
- PPPs of an institutional nature, involving cooperation between the public and the private sector within a distinct entity. We'll name it **PPIP.**

The goal is to combine the best capabilities of the public and private sectors for mutual benefit.

The United Nations, as by the conclusions of the Conference on Sustainable Development, held in Rio de Janeiro evidenced PPPs as a tool for economic development, and as by the UN forty-fifth session (New York, 25 June-6 July 2012), that considered possible future work in the area of public-private partnerships.

One of the key messages of the United Nations Secretary-General, based on the latest policy directive on South-South cooperation (Decision No. 2008/26, dated 25 August 2008), articulates the commitment of the United Nations to providing greater international support for South-South cooperation, including cooperation driven by innovative partnerships such as triangular partnerships and public-private arrangements, while emphasizing ownership and leadership by developing countries in such initiatives.

There are many types of public-private partnerships and the roles each partner plays vary widely, but the most successful collaborations tend to share two characteristics: (1) the partners hold a set of shared values, and (2) the partnership produces clear benefits for both partners.[1] Ensuring a partnership with these characteristics requires an investment of time and resources, both before you enter a partnership and in order to maintain and manage the ongoing relationship.

The literature on public-private partnerships also describes some key strategies for ensuring its success:

- Make sure the potential partner organizations are a good match before entering into a partnership. Know your own organization, your cause, and what you're looking for from the potential partner. Learn as much as possible about a potential partner before making contact, making sure the role you want them to play fits with their expertise and area of interest. This involves evaluating a potential partner in terms of its reputation in the community. Partnering with an organization your clients know and trust can increase your organizations visibility and reputation, but the converse is also true.
- Clearly define your shared vision and the benefit to each organization. Each organization should be clear about its role in the partnership, what the other partner expects, and how each partner benefits from the relationship. Part of this process for each organization will be defining its short-term goals for the specific partnership project and figuring out how these fit within each organization's long-term goals and mission.
- Clarify expectations about the partnership. It will be important to: (1) Define the length of time the partnership is expected to last; is this a short-term partnership for a specific project or a long-term partnership over multiple projects? (2)Determine accountability; who will be

[1] The Center for Youth and Communities, Heller School for Social Policy and Management, Brandeis University, *Learning from Business-Community Partnerships: A Cluster Evaluation Report Prepared for The Hitachi Foundation,* June 2005. Available: http://www.hitachifoundation.org/news/reports/cluster_evaluation.html

responsible if there is a problem or if the partnership dissolves? (3) Determine ownership; if the partnership dissolves, who will own any intellectual property or products created by the partnership? (4) Identify responsible persons; who within each organization will be responsible for maintaining the partnership, particularly by keeping communication open and frequent?

- Learn your partner's language and culture. Communication between partners must not only be regular, but effective. Terms may have different meanings to different partners, which present a barrier to communication.
- Draw on the underlying motivation of your partners. While making a business case for partnership is important, individuals have personal values and reasons for their participation that are also powerful motivators. [2]

3. From the conventional public procurement to PPP

A public-private partnership ("PPP") arrangement differs from conventional public procurement in several respects. In a PPP arrangement the public and private sectors collaborate to deliver public infrastructure projects – such as roads, railways, airports – or services –such as waste and water management, social services, business services - which typically share the following features: (European Union, 2002a).

I. The relatively long duration of the relationship, involving cooperation between the public partner and the private partner on different aspects of a planned project.

   A long-term contract is established between a public contracting authority (the "Authority") and a private sector company (the "PPP Company") based on the procurement of services, not assets.

II. The method of funding the project, in part from the private sector, sometimes by means of complex arrangements between the various players. Nonetheless, public funds - in some cases rather substantial - may be added to the private funds.

III. This arrangement transfers certain project risks to the private sector, notably with regard to designing, building, operating and/or financing the project. However, a PPP does not necessarily mean that the private partner assumes all the risks, or even the major share of the risks linked to the project. The precise distribution of risk is determined case by case, according to the respective ability of the parties concerned to assess, control and cope with this risk.

IV. The PPP Company may be paid either by users through user fees (e.g. motorway tolls), by the Authority (e.g. availability payments, shadow tolls) or by a combination of both (e.g. low user charges together with public operating subsidies).

V. The important role of the economic operator, who participates at different stages in the project (design, completion, implementation, funding). The public partner concentrates

[2] Learning from Business-Community Partnerships, pp.28-38, 79-83.

primarily on defining the objectives to be attained in terms of public interest, quality of services provided and pricing policy, and it takes responsibility for monitoring compliance with these objectives.

VI. A focus on the specification of project outputs rather than project inputs, taking account of the whole life cycle implications for the project;

The PPP is a win-win alliance, as stated in the above-mentioned British Columbia paper.

The private sector partner gains a relatively stable, long-term investment opportunity. Revenues are in the form of either a fee for service, paid by government, or fees collected from users, as in the case of highway tolls, or waste collection.

The state actor benefits from PPP because it helps to:

Improve service delivery by allowing both sectors to do what they do best. Government's core business is to set policy and serve the public. It is better positioned to do that when the private sector takes responsibility for non-core functions such as operating and maintaining buildings, or providing specialized services.

Improve cost-effectiveness. By taking advantage of private sector innovation, experience and flexibility, P3s can often deliver services more cost-effectively than traditional approaches. The resulting savings can then be used to fund other needed services.

Increase investment in public infrastructure. Investments in hospitals, schools, highways and other provincial assets have traditionally been funded by the Local Government and, in many cases, have added to levels of overall debt. P3s can reduce government's capital costs, helping to bridge the gap between the need for infrastructure and the Province's financial capacity.

Reduce public sector risk by transferring to the private partner those risks that can be better managed by the private partner. For example, a company that specializes in operating buildings may be better positioned than the government to manage risks associated with the changing demands of commercial real estate.

Deliver capital projects faster, making use of the private partner's increased flexibility and access to resources**.**

Improve budget certainty. Transferring risk to the private sector can reduce the potential for government cost overruns from unforeseen circumstances during project development or service delivery. Services are provided at a predictable cost, as set out in contract agreements.

Make better use of assets. Private sector partners are motivated to use facilities fully, and to make the most of commercial opportunities to maximize returns on their investments. This can result in higher levels of service, greater accessibility, and reduced occupancy costs for the public sector.

The rationale for using a PPP arrangement instead of conventional public procurement rests on the proposition that optimal risk sharing with the private partner delivers better "value for money" for the public sector and ultimately the end user. (European Union, Guide to Guidance)

PPP arrangements are more complex than conventional public procurement. They require detailed project preparation and planning, proper management of the procurement phase to incentivize competition among bidders. They also require careful contract design to set service standards, allocate risks and reach an acceptable balance between commercial risks and returns. These features require skills in the public sector that are not typically called for in conventional procurement.

While PPPs are a more complex form of contracting, they do provide a means for encouraging private-sector participation in projects and services that might not be possible without their involvement. PPPs also can provide accelerated delivery, incorporation of the latest technologies and a cost-effective approach to implementation, while maintaining the purpose of the initiative in line with the public polices, and the collective welfare. These features explain why they are increasingly seen by developing countries as a useful tool, building on the vast experience with their use in Europe and North America – over 35 per cent of the total number of PPPs worldwide are now being carried out by the developing countries. (UNDP, 2008)

4. The PPP in the UN

This interest on PPP by UN (UNDP. 2008) is based on the growing awareness in both the developed and developing world that alleviating the "infrastructure gap", i.e., the difference between needed and existing infrastructure and services, is a monumental requirement, well beyond the financial capacity of the public sector. This awareness has led to an increased focus on private-sector participation in infrastructure projects and, in particular, the use of public-private partnerships (PPPs).

At this purpose the UN: has establishes public-private partnership programs in a number of countries in Europe and Asia, with the effective role of the regional commissions in facilitating the sharing of experiences from these countries, and the main aim of developing the knowledge and skills needed for developing the public-private partnership modality.

These programs are built upon available expertise, institutions and arrangements within the three collaborating regional commissions and other United Nations entities (such as the United Nations Development Program (UNDP) Public-Private Partnerships for the Urban Environment program), thus using considerable synergies in public-private partnership development.

The objective is to increase the capacity of Governments to promote, develop, operate and manage public-private partnership projects for infrastructure development and the provision of basic services.

The expected accomplishments are:

- A global public-private partnership alliance established to forge cooperation between the private sector and Governments
- Training institutions and special public-private partnership supporting capacity-building for public officials (and the involvement of private-sector bodies such as chambers of

commerce) in undertaking and operating public-private partnership projects at different levels

- Governments able to develop management action plans and strategies to increase their preparedness and improve governance and strategic management of public-private partnership programs
- Governments, the private sector and other stakeholders having access to up-to-date information on potential public-private partnership projects, good practices, policies and new developments

5. PPP Typologies

According to the previous description two main groups of partnership could be defined

PPCP: Public Private Contractual Partnership

PPIP: Public Private Institutional Partnership.

Each one of the two groups could be then in turn articulate in 4 different typologies, according what kind of private *sector and/or other actors are the main contracting body*.

One business: when the main contractor is just one private enterprise for the execution of the object of the partnership.

Multi-businesses: when there is more than one private enterprise as contractor.

One Non-State actor: when the main contractor is other but private enterprise, such as NGO, private foundations or associations of civil society.

Multi-Stakeholders, when more than one non-state actor is involved in the partnership.

The following table shows the most spread PPP used in each one of the cases (grey boxes).

	PPCP	PPIP
One Private Business		
Multi Private Businesses		
One Non-state Actor		
Multi-Stakeholders		

The characteristic which differentiate one each other the aforementioned cases are linked to

- The typology of the relationships, and
- The objectives

6. The PPCP

The PPCPs is a partnership that refers to a purely contractual nature, and based on contractual links.

There are a variety of forms of private sector involvement in service delivery (UN-Habitat, 2011). The simplest are service contracts to provide a specified service for an agreed payment and duration (for example, street sweeping, revenue collection and metre reading). Under management contracts (also known as Operation & Maintenance contracts), the contractor has more responsibilities, although with any infrastructure or equipment remaining in public ownership. Examples include management of solid waste or wastewater treatment plants. Under lease contracts, infrastructure and/or equipment is rented from the public owner by a private partner who operates and maintains it and has the right to raise revenue from users and from any linked facilities. Examples include bus terminuses, which typically allow the private partner to obtain revenues from bus operators, as well as from any shops, cafes and restaurants located at the terminus.

Concessions are usually of longer duration in order to allow the private partner to recover investment costs. Under this type of contract, the private partner has full responsibility to deliver a service, including any investment required, for a given period of time. There are many variants on the form of concession, which are sometimes referred to as Private Finance Initiatives, which include, but are not restricted to:

- Build-Operate-Transfer (BOT): the private partner designs, finances and constructs a new facility and operates the facility during the term of the contract. After expiry of the contract, ownership of the facility is transferred to the public sector. Revenues come from fees to users or payments to private partner from public budgets. As a variant, the private partner receives a franchise to build a new facility and, in these cases, pays a rent which is designed to cover the use of public land for private operations.
- Build-Own-Operate (BOO): the private partners finances, builds, owns and operates a new facility or service in perpetuity. The minimum requirements for the service are stated in the contract and are usually monitored and enforced by a regulator.
- Buy-Build-Operate (BBO): existing public assets are transferred to a private partner with the requirement that they are upgraded and operated for a specified period. Ownership of the assets is returned to the public sector at the end of the contract.

In practice, the name given to the approach is not significant but it is important that arrangements, as specified in contracts, set out key elements surrounding provision of the service. In broad terms, these key elements include:

- nature of the services to be provided and the period over which they are to be provided
- ownership of the facilities involved and the date, and conditions under which, any transfer of ownership will take place; ·
- responsibility for investment and operating costs; ·
- levels, and responsibility for collection of user fees; ·
- amounts and timing of payments (a) from the public sector to the private partner and (b) from the private partner to the public sector;

- and performance indicators, responsibility for monitoring performance, and any penalties for falling below minimum standards as set out in contracts and defined in performance indicators

Within the European Union Under Community secondary legislation[3], any contract for pecuniary interest concluded in writing between a contracting body and an operator, which have as their object the execution of works, the execution of a work or provision of a service, is designated as a "public works or public services contract". The concept of "concession" is defined as a contract of the same type as a public contract except for the fact that the consideration for the works to be carried out or the services to be provided consists either solely in the right to exploit the construction or service, or in this right together with payment.

In this context, one of the best-known models, often referred to as the "concessive model" is characterized by the direct link that exists between the private partner and the final user: the private partner provides a service to the public, "in place of", though under the control of, the public partner. Another feature is the method of remuneration for the joint contractor, which consists of charges levied on the users of the service, if necessary supplemented by subsidies from the public authorities.

In other types of set-up, the private partner is called on to carry out and administer an infrastructure for the public authority (for example, a school, a hospital, a penitential centre, a transport infrastructure). The most typical example of this model is the PFI set-up. In this model, the remuneration for the private partner does not take the form of charges paid by the users of the works or of the service, but of regular payments by the public partner. These payments may be fixed, but may also be calculated in a variable manner, on the basis, for example, of the availability of the works or the related services, or even the level of use of the works.

Since the adoption of Directive 2004/18/EC, a new procedure known as "competitive dialogue" may apply when awarding particularly complex contracts. The competitive dialogue procedure is launched in cases where the contracting body is objectively unable to define the technical means that would best satisfy its needs and objectives, or in cases where it is objectively unable to define the legal and/or financial form of a project. This new procedure will allow the contracting bodies to open a dialogue with the candidates for the purpose of identifying solutions capable of meeting these needs. At the end of this dialogue, the candidates will be invited to submit their final tender on the basis of the solution or solutions identified in the course of the dialogue. These tenders must contain all the elements required and necessary for the performance of the project

The payment mechanism lies at the heart of the PPP contract. The primary purpose of the payment mechanism is to remunerate the PPP Company sufficiently for it to be willing to enter into the PPP contract and provide the service. The payment mechanism is the principal means for allocating risks and providing incentives in the PPP contract.

A useful way to approach the design of the payment mechanism is to start with a basic/ideal structure for the Authority. Ideally, the Authority will want to pay the PPP Company, in arrears, a

[3] This and other following considerations from European Union are taken from EPEC, „Guide fo Guidance How to prepare, procure, and deliver PPP Projects (*www.eib.org/epec)*

fixed price for (and only for) each unit of service that has been provided and has met the service quality requirements. This would comply with the key PPP principles that payments should be made only if the service is available, at the agreed standard of service, and that payments should not be based on the PPP Company's actual costs (a PPP contract is not a "cost-plus" contract). This basic/ideal mechanism would give the PPP Company strong incentives to perform but would require it to bear excessive risks. "Excessive" in this context could mean

7. PPIP Typology and features

The ILO approach (Public–Private Partnerships as a collaborative relationships among various actors in both public (State) and private (non-State) sectors) introduces two new variables in the PPP definitions:

- the object of the partnership, that includes any type of collaborative relationship, above the contractual one for provision of services and realization of infrastructure;
- an enlarged definition of the partner of the "public", that includes not only entrepreneurs, but also any other "non-state" actor.

The European Union Green Paper on Public-Private Partnerships and Community Law on Public Contracts and Concessions, (European Union, 2004), indicates institutionalized PPPs involve the establishment of an entity held jointly by the public partner and the private partner. The joint entity thus has the task of ensuring the delivery of a work or service for the benefit of the public. In the Member States, public authorities sometimes have recourse to such structures, in particular for to administer public services at local level (for example, for water supply services or waste collection services).

Direct cooperation between the public partner and the private partner in a forum with a legal personality allows the public partner, through its presence in the body of shareholders and in the decision-making bodies of the joint entity, to retain a relatively high degree of control over the development of the projects, which it can adapt over time in the light of circumstances. It also allows the public partner to develop its own experience of running the service in question, while having recourse to the support of a private partner.

An institutionalized PPP can be put in place, either by creating an entity held jointly by the public sector and the private sector, or by the private sector taking control of an existing public undertaking.

The selection of a private partner called on to undertake such tasks while functioning as part of a mixed entity can therefore not be based exclusively on the quality of its capital contribution or its experience, but should also take account of the characteristics of its offer – the most economically advantageous – in terms of the specific services to be provided. Thus, in the absence of clear and objective criteria allowing the contracting authority to select the most economically advantageous offer, the capital transaction could constitute a breach of the law on public contracts and concessions.

In particular, when the public authorities grant an economic operator a definite influence in a business under a transaction involving a capital transfer, and when this transaction has the effect of entrusting to this operator tasks falling within the scope of the law on public contracts which had been previously exercised, directly or indirectly, by the public authorities, the provisions on freedom of establishment require compliance with the principles of transparency and equality of treatment, in order to ensure that every potential operator has equal access to performing those activities which had hitherto been reserved.

Many examples of in the international experience exist, and among them it is worth to mention:

- the European territorial pacts
- various structures aimed at local development: Development Agencies, Scientific and Technological parks, Business Innovation Centers, the multi-stakeholders alliance etc.
- the UNDP ART Territorial Working Groups

Common specific features to all these experiences are:

a) institutionalization of the partnership in a durable and viable manner

b) carrying on the objective on initiatives and/or delivering services with a joint management

c) making the alliance with the private sector with the inclusion of non-state actors, over the enterprises

8. Examples of PPCP

"Making the Link": Connecting Caregivers with Services through Physicians, in Southeastern Vermont[4]

The Southeastern Vermont Area Agency on Aging (AAA) partnered with four local physicians' offices -- two in Windsor county and two in Windam county --through "Making the Link" to ensure caregivers have access to information about the help and services they can receive in the community.

"Making the Link" brings together local physicians' offices and the AAA to provide resources and information to caregivers. Both the AAA and physicians' offices had previous experience working together with a similar program called "Care Partner." They built on their past successful working relationship to incorporate "Making the Link" into the two counties, facilitating coordination of community resources for local patients and caregivers of patients.

The Southeastern Vermont AAA serves as the social services resource for the community. The AAA offers information about resources, programs, and services available to caregivers in the community as they provide care for individuals with long term care needs. The local AAA also employs the case managers who participate in the program.

[4] To know more see www.adrc-tae.acl.gov.

Local physicians want to improve patient care and they feel "Making the Link" provides an avenue for them to do so. Because time with patients in the office is limited, participating doctors refer patients to the AAA, which assists individuals to access appropriate community resources.

The AAA case manager makes weekly scheduled visits to partner physicians' offices to meet with staff, particularly office managers and nurses, who assist patients. The case manager also schedules time to speak with patients about community resources. The case managers share information with the office staff so that individuals who would benefit from hearing about community resources will be referred to the case manager while they are in the office. The doctors also use referral forms to send patients to meet with the AAA case manager to get more information about services and resources in the community. Program participants receive regular follow-up from case managers.

The following outcomes resulted:

- "Making the Link" has increased local physicians' awareness of the needs of caregivers. By connecting the AAA with local physicians, "Making the Link" has helped patients and their caregivers learn about services available to them in their community.

- Doctors' offices call AAA more frequently to refer patients who need information and assistance with community resources as a result of this program. The initial barriers to the partnership, such as comfort level between the partners and understanding the goals of the program, have diminished as the program has matured. Doctors now have a good understanding of the information available through the AAA so that appropriate patients are being referred. Case managers have also been successful in encouraging some doctors to do home visits, which has been important for caregivers who had been unable to make regular visits to doctors' offices.

- The staff reports anecdotal evidence that the caregivers and patients have shown improvement in their health through support from the community, and almost all referrals to the program have experienced benefits in some way.

The partnership is mutually beneficial to the AAA and the physicians' offices. Doctors' offices refer patients to case managers for information and the AAA sends patients to doctors for care. Doctors now have more information about the community programs and resources available to their patients and their caregivers. The partnership allows doctors to offer patients additional support and assistance. They can use available com-munity resources to provide more help to patients than they would be able to provide on their own.

Karnataka urban water supply improvement project[5]

[5] To know more see http://toolkit.pppinindia.com/highways/module1-intro.php?links=intro1

In 2005, the Government of Karnataka (GoK), with assistance from the World Bank, initiated a water supply service delivery improvement programme with private sector participation at the local level. This initiative was part of a larger project developed by GoK to improve the performance of the urban water sector by providing high quality and sustainable services in all the Urban Local Bodies (ULBs) of the state. The project termed as Karnataka Urban Water Sector Improvement Project (KUWASIP) was designed and implemented with funding assistance from the World Bank through the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC),

At the local body level, projects were identified for the select three ULBs of Belgaum, Gulbarga and Hubli-Dharwad. These projects aimed towards augmentation of the bulk water supply and improvements to the distribution system. This objective was undertaken through a project aimed at providing a water supply system on a Public Private Partnership basis for a defined project area.

A pilot project in five demonstration zones of the select three Municipal Corporations of Karnataka was taken up. The project involved refurbishment/rehabilitation of the existing distribution network of the select five demonstration zones in these three Urban Local Bodies, followed by the operation and management of water distribution systems in these zones on a PPP basis.

The project was structured such that a private developer was identified for undertaking the required rehabilitation works and for undertaking the operation and maintenance (O&M) of the distribution network for the period of the contract. The capital investment required for the rehabilitation works was to be compensated for by the World Bank through KUIDFC and the private developer was to be provided a fee for undertaking the O&M activity. The project was planned for a total time period of 3 years and 6 months inclusive of both rehabilitation works for the distribution networks and the operation and maintenance of the distribution system.

The city council and the national government have together decided to build on the success achieved and to extend the PPP waste management service to the remaining 30% of the population. With support from UNDP and UN-HABITAT, the city authorities have applied for additional support under the Public-Private Partnership- Integrated Sustainable Waste Management (PPP-ISWM) project to address the issue of waste reduction and waste recycling. Waste collection and street sweeping will also be extended to all neighborhoods in the city. UNEP has supported the baseline assessment for the development of an integrated Sustainable Waste Management (ISWM) System in Maseru City in 2006 and UN-HABITAT has been the implementing partner of the up-scaled initiative. The follow- up project on ISWM with a PPP approach is within the framework of government's ISWM plan.

9. Example of PPIP

Territorial Pacts[6]

In 1997 the European Commission (EC) initiated Territorial Employment Pacts (TEPs) to bring together the different actors in local and regional labor markets in specific model regions in order to reduce unemployment and to increase employment and thus improve the performance of the local/regional economy.

The TEP is an agreement between local partners, published in a strategic document and accompanied by operational or financial commitments adopted by each. This document contains a presentation of the main objectives and the expected shall allow identify potential obstacles in the labor and employment laws.

The content of the Territorial Pact could be financed partially with the participation of the European Bank Investment Fund and the European Investment particularly through the creation of new businesses.

The EC outlined four general principles with respect to the goals and the approach envisioned. Firstly, the TEPs should be carried by a spirit of partnership among the actors. Secondly, they should be innovative, i. e. try to develop and give room for new ideas with respect to solving labor market problems on the regional and local level. Thirdly, the TEPs should try to integrate as many groups as possible whose actions affect the labor market. And fourthly, the approach in terms of policy making should be bottom-up, i.e. e. initiatives should arise from the groups concerned and/or their immediate representatives.

The following issues should be addressed by the TEPs:

1. Employment-effective policies for Small and Medium-Sized Enterprises (SMEs).

2. Particular attention to problem groups such as the young, the old, women (especially those re-entering the labor market), the poorly educated and trained, and – later on – handicapped persons.

3. Review of the social and labor laws and regulations in order not to be a hindrance to employment creation but rather become more conducive to this end.

4. Creation of new employment opportunities in the area of personal services with particular support to self-employment.

5. Education and training measures in view of the skills required by (potential) local or regional employers.

Once the pact is established and a plan shared between the members, the investment related it was co-financed by UE.

89 territorial pacts were established between 1997 and 2002, and many of them finalized their project through formally institutionalizing the alliance, for providing support and services for local

[6] To know more https://portal.cor.europa.eu/europe2020/news/Pages/TPUsefuldocuments.aspx

development initiatives, and they continued to find support from other sources (European Structural Funds and funding from the Member States).

The TEP had a large impact (European Union, 2002) over policy interventions, which was intended to operate in such as way as to:

- *add value* to the policy and implementation structures in the localities in which they operated;
- deliver their results *cost effectively*, in that the investment made was justified by the Pacts achievements;
- be a *catalyst* for new types of co-operation and action, primarily by bringing existing resources and organizations into new forms of relationship and stimulating new forms of activity;
- generate results and lessons, which would on the one hand continue in the territory, concerned beyond the time of Commission support (*sustainability*), and on the other have relevance for other actors attempting similar types of interventions.

The added value accruing from the TEPs can be grouped under three broad headings:

1. partnership development and working;
2. co-ordination and rationalisation of policies and programs;
3. implementation of specific labor-market actions.

The conclusions of the European union evaluation on the territorial pacts (European Union, 2002b) highlights Territorial Employment Pacts offer an opportunity to insert a process of *coordination, integration, innovation and partnership* at local level in the context of employment and local development.

The evaluations. conclusions as to the achievements of Pacts in practice can be summarized as it follows:

- Pacts own views of their achievements are dominated by the creation and nurturing of partnerships and the associated benefits, consistent with the purposes of the program.
- Pacts have also been able to give examples of positive wider effects, which are diverse and include better resource deployment, stimulation and operationalization of project ideas, realignment of policy, better articulation of supply and demand.
- Some direct creation of employment has taken place but is of little importance as an achievement of the program as a whole. It does however offer some models of collaborative approaches to new project development and operation.
- The gaining of influence over resource distribution has taken place, bringing a more strategic approach the benefits of less overlap and greater clarity.

Local Economic Development Agencies (LEDA)[7]

[7] To know more see www.ilsleda.org

The Local Economic Development Agencies (LEDA) are no profit local public-private structures promoted by United Nations, through various development cooperation programs for human development since 1992, with the aim of sustaining local development process and strategies through self sustainable patterns.

They represent a typical case of PPIP, because

1) Their membership is given by representatives of local administrations, national representatives at local level, associations of producers, associations of civil society, of local communities, NGO's, universities, training centers, financial institutions,
2) The members take joint decisions about the strategies and the actions for fostering and supporting local economic development.

This social capital embraces so far around 1400 institutions, involved in the LEDAs' system, which represent the Agencies' members (municipal and regional administrations, associations of small business and farmers, cooperatives, associations of women, social and environmental local networks, universities, financial institutions), with an overall 54 million inhabitants served by them.

The LEDAs generally provide services for planning and project development, business development (including financial support, through guarantee funds), human development (including social inclusion), and territorial marketing.

The UN experience about LEDAs stands since 1992, when or the first time it was promoted in Central America by the Prodere Program.

So far 60 LEDAs are operating in 17 developing and transition countries.[8].

They represent a case where aid effectiveness and efficiency has great evidence because:

1. **Ownership** handover is maximized on timing (it is quicker) and quality (it is sustainable), due to the collective shared responsibilities assumed by the local actors in responding to their own needs for sustainable medium long term development, and to the self-sustainable pattern, on which the LEDA have been designed.
2. Quantitative and qualitative **impact** is maximized, mainly in terms of employment, social inclusion, enterprises development, strategic plans' implementation, human capital improvement, and many other secondary indicators, such as innovation, finance channeling, international networking, impact on national policies, etc. This, in fact, should be measured by the multiannual effect, that go much beyond the period of the direct aid, due to the LEDA long life (the first ones established in 1992 in Central America are still operating after 20 years). According to the experience, a LEDA supports an average of 30 micro and small enterprise per year, and creates an average of 150-250 permanent jobs per year.

[8] Albania (2), Argentina (4), Bolivia (2), Bosnia Herzegovina (1), Colombia (11), Dominican Republic (4), Ecuador (8), El Salvador (3), Guatemala (4), Honduras (3), Lebanon (4), Mozambique (4), Nicaragua (3), Serbia (2), South Africa (2), Sri Lanka (1), Uruguay (3)

Moreover the significant result relies on the stability of these jobs, due to a not random choice of the enterprise to be supported, rather those responding to the goals of the shared strategic planning, and to the value chain approach.

Similar figures could be applied to the number of the improved enterprises, of the people upgraded capacities, of the implemented plans and projects, etc.

3. The **contribution/results rate** is also maximized (aid efficiency). If one considers an investment of approximately 700,000 USD is needed for establishing a LEDA in a territory with an average population of 300,000-800,000 people, and that the quasi-certain life is not less than 15 years (pessimistic forecast), this ratio result of 700,000/150*15=311 USD per job!, just to mention one of the main performance indicators

4. **Dependence** from aid is reduced, or at least qualitatively improved. In the majority of the cases the LEDA substituted the role of the international technical assistance in supporting development processes, initiatives, and projects. Nevertheless there are various examples where international cooperation made use of the presence of the LEDA in a given area for additional intervention. In these cases it had two advantages: a *cost advantage*, because of the presence of a reliable and capable structure for the execution of the project (efficiency increase), and a *impact advantage*, because it could orientate the intervention towards complementarities or high quality support for a more comprehensive development (effectiveness maximization), such as abating extreme poverty, environmental issues, innovation, food quality and consumption, etc.

No global census of development agencies has been undertaken, but OECD counts currently more than 15,000 such organizations worldwide, with more being created every month (Clark g., Huxley J., Mountford D, OECD, 2010)

OECD defines development agencies as "legal, none profit structures, generally owned by the public and private entities of the territory" which act as a mechanism through which "local actors plan and activate, in a shared way, initiatives for territorial economic development; identify the most convenient instruments for their realization; and enhance a coherent system for their technical and financial support"

Scientific and technological parks [9]

A university research park', science park, or science and technology park is an area where innovation is key. It is a physical place that supports university-industry and government collaboration with the intent of creating high technology economic development and advancing knowledge. There are many approximate synonyms for "university research park", science park", technology park, technopolis and biopark. The appropriate term typically depends on the type of affiliation the parks has with an institution of higher learning and research, and also perhaps the sort of science and research in which the park's entities engage.

[9] To know more http://www.iasp.ws/web/guest/home

Science parks are sources of entrepreneurship, talent, and economic competitiveness, and are key elements of the infrastructure supporting the growth of today's global knowledge economy. By providing a location in which government, universities and private companies cooperate and collaborate, science parks create environments that foster collaboration and innovation. They enhance the development, transfer, and commercialization of technology.

Science and technology parks are generally supported by universities in order to bring in industry with which they can collaborate, and by local government, in order to improve the prosperity of the community, and by business associations with the perspective of better access to innovation Incentives to attract companies to the area are often offered as part of the entire package.

The international association of Scientific Parks (IASP) includes 388 members from 70 countries, whether more than 500 exist worldwide, mostly the developed ones: 170 are found in North America (prominent examples include the Sylicon Valley, Purdue Research Park in West Lafayette, Indiana, the Research Triangle Park in North Carolina, 220 in Europe, Japan comes next with 111 science parks. China began developing science parks in the mid-1980s and now has around 100, 52 of which were approved by the national government and the remainder by local governments

Brazil is one of the developing countries that has strongly encouraged the establishment of technology parks and business incubators

The International Association of Science Parks explains that the purpose of these parks is to promote the economic development and competitiveness of cities and regions by creating new business, adding value to companies, and creating new knowledge-based jobs

The parks offer a number of shared resources, such as incubators, programs and collaboration activities, uninterruptible power supply, telecommunications hubs, reception and security, management offices, restaurants, bank offices, convention center, parking, internal transportation, entertainment and sports facilities, etc. In this way, the park offers considerable advantages to hosted companies.

Territorial Working Groups[10]

The Territorial Working Group is a ensemble of local public, economic, social, and communitarian actors who gather for taking main decision about what to do and how for achieving a specific objective.

One of the most successful experiences is provided by the UNDP ART Program, currently operating in 20 countries and applied as basic feature and methodology for implementing its actions.

It is a group formed by local administrations, associations of the private sector, such as entrepreneurs, farmers associations and chamber of commerce, local NGOs, universities, and other relevant public or private actors at local level.

Generally it relies on a coordinator appointed by the heads of the regional and local administrations.

[10] To know more, see http://web.undp.org/geneva/ART

The Working Group organizes and coordinates the Territorial Planning Cycle, which is the mechanism for building complementarities and articulations among themselves and with national and local development processes. They are responsible for planning all actions implemented by the different actors to avoid duplication, maximize impact and direct them towards Regional and Local Development Plans.

The TWG is the reference for the ART program, for establishing priorities for actions and targets, and elaborating the operational plans.

Their main added experienced value is:

- They have facilitated the dialogue between actors, often do not communicate each other.
- They have balanced powers between “stronger” and “weaker” actors, and central and marginal areas of the territory.
- They have balanced decisions between economic-entrepreneurial, social, environmental objectives.
- They have allowed the elaboration of shared territorial strategies and plans in a more effective and impacting way.
- They ended up to be a reference and support entry points for international and decentralized cooperation for their planning and implementation.
- They facilitated decentralizes cooperation in a more balanced way with international partners.

10. PPP and local development

According to the mentioned experience it is evident the more fertile ground where a PPP can be fed and growth is the local level.

At local level, in fact, the main conditions for the success of the partnership are evident, as they are:

1) confidence among the partners
2) operational proximity
3) joint interest and commitment towards the achievement of the results

There is no doubt that the contribution of people living in the area is essential in order to formulate and implement public interventions because they deeply know the conditions in the area especially in the case of complex policies such as local development policies, dealing with economic, social, and environmental questions, demanding balanced growth for sustainable development and opportunities of well being for current and future generations.

Definitively the public-private alliance can create a favorable environment that enables the process to achieve the shared objectives in an effective and efficient manner, through sharing strategic plans, and specific tools.

Nevertheless, there are many enemies of the public-private partnership for local development.

Enemy 1: Centralization.

This consists on an approach which focuses on the role of central government for regulating economic development and providing services through local administration (centrally controlled, through de-concentration), because of many reasons from the most noble ones, such as lack of capacities of local government, to the less noble, such as the need of controlling "votes" of the citizens.

What happens in these cases is the difficulty on targeting the public attention on the differences between the various localities of the country, and the risk of failure due to the change in government after each election.

Enemy 2: Only public responsibility

This is an approach that focuses on the de-centralization of public competences on economic development and provision of the services, but it assumes local authorities have the duty and the capacity of doing it. This is justified by the duty of government of providing economic services, such as health, education, security, etc.

The risks are in one side of the insufficient capacities, elasticity, and appropriateness of the attention to the changes on needs, markets, technologies, etc. (due to the public bureaucracy), and again the risk of changes in government after each election.

Enemy 3: Privatization of services

This is a "liberal approach", sustained either for some government, than from the private sector, and based on the convincement economy is driven by markets, and it does not need any public regulation. Needs are linked to the business activities and only entrepreneurs know them and can address them.

The risk is only the most powerful entrepreneurs dominate the economic development, and objectives such as environment protection, social equality, human development -typical of public responsibility- are not pursued.

Enemy 4: Lack of resources

Local actors can agree on public-private partnership, but they face the big problem of resources for managing and implementing it.

The risk is of leaving the situation "freeze", while it can be faced putting together the scarce resource each local actor has at disposal, optimizing them through articulation-coordination strategies, and concentrating them on the shared objectives.

11. The role of the private sector

The private sector has a prominent role in local development, since it is the protagonist in the realization of investment, finance, job opportunities and incomes.

No socio-economic development would be possible without the participation of the private sector, because it has the knowledge about how to add economic and social value to determined resources, and the main interest to do so, through competition.

The alliance is of the interest of the private sector, since it facilitates investment, makes the labor market efficient, avoiding social conflicts, preserves the environmental resources, avoiding their impoverishment or destruction.

Nevertheless, sometime the private sector does not show interest in such an alliance, too much tied to the short term objective of making profit, as guide for its behavior, but more and more it is taking awareness the alliance is the only way to have more solidity and legitimacy.

Sometimes it is interested for purely commercial opportunities, such as in the case of the implementation of the public infrastructure project or services , as in the case of PPTC, sometimes it goes beyond it, as in the case of PPIP, where this interest is related with the importance of the public image when the services are of particular social or cultural benefit.

It is worthwhile to distinguish different actors belonging to the Private Sector.

- Big enterprises
- Micro, small, and medium enterprises
- NGO dealing with economic, social, and environmental issues
- Service providers
- Micro financial institutions

The big enterprise’s interest is mainly:

a) when big contracts are involved
b) when they pursue social responsibility
c) when they pursue improving their public and social image and legitimacy

The micro, small, and medium enterprises’ interest is mainly

a) for the opportunity of contracts
b) for establishing good relationships with the public administration
c) for contributing to improve the socio-economic environment for their businesses

The NGO’s interest is mainly

a) for the opportunity of contracts
b) for contributing solving economic, social and environmental problems they are capable to
c) for establishing good relationships with the public administrations and other local private and public actors and facilitating their actions

The service providers and micro-financial institutions’ interest is mainly

a) to improve and legitimate their role and capacities for local socio-economic development

b) for the opportunity of contract

Service providers include organizations that provide technical assistance services and in general business support services, training institutions, academies, research centers, etc.

The following figure synthesizes the interest of the private sector (grey boxes), according to its typology.

	Big Enterprise	Smme's	NGO's	Service providers
Implementation of big contracts				
Opportunity of contracts				
Social responsibility				
Improving public and social image and legitimacy				
Establishing good relationships with the public administration				
Legitimating role and capacities for local socio-economic development				
Improving the socio-economic environment for their businesses				
Solving economic, social and environmental problems				

12 Conclusions

The diffusion of public private mode of governance is generally attributed to two different factors: factors concerning the "crisis of the state" and factors concerning the increase in demand of participation by local communities.

The partnership is indeed a form of association that implies an effective and continue interaction between the actors who tend to become a collective actor; be partners means to tightly integrate their actions to achieve the objectives of common interest, through introducing routine interaction in given policy among governmental and non-governmental actors, and in which there is no monopoly by public actors of either problem definition or methods of implementation.

Partnerships may serve various purposes, such as implementing normative standards or codes of conduct, or to share and coordinate resources and expertise. They may consist of a specific single activity, or may evolve into a set of actions or even an enduring alliance, building consensus and ownership with each collaborating organization and its stakeholders. While they vary considerably, such partnerships are typically established as structured cooperative efforts with a sharing of responsibilities as well as expertise, resources and other benefits.

The goal is to combine the best capabilities of the public and private sectors for mutual benefit.

The United Nations, as by the conclusions of the Conference on Sustainable Development, held in Rio de Janeiro, evidenced PPPs as a tool for economic development, and as by the UN forty-fifth session (New York, 25 June-6 July 2012) considered possible future work in the area of public-private partnerships.

The private sector partner gains a relatively stable, long-term investment opportunity. Revenues are in the form of either a fee for service, paid by government, or fees collected from users, as in the case of highway tolls, or waste collection.

The state actor benefits from PPP because it help to improve service delivery, also in cost-effectiveness, increase investment in public infrastructure, reduce public risks, and make better use of assets.

The current trend regarding PPP is an evolution from a purely contractual nature, in which the partnership between the public and the private sector is based solely on contractual links to an institutional nature, involving cooperation between the public and the private sector within a distinct entity.

Each one of the two typologies could be then (A LORO VOLTA) articulate in 4 different typologies, according what kind of private *sector and/or other actors are the main contracting body* .

One business: when the main contractor is just one private enterprise for the execution of the object of the partnership.

Multi-businesses: when there is more than one private enterprise as contractor.

One Non-State actor: when the main contractor is other but private enterprise, such as NGO or non-Governmental organizations.

Multi-Stakeholders, when more than one non-state actor is involved in the partnership.

The most advanced and effective examples of institutionalized are the ones experienced in particular by ILO, European Union, and the UNDP ART programs.

ILO promotes collaborative relationships among various actors in both public (State) and private (non-State) sectors, through introducing two new variables in the PPP definitions:

- the object of the partnership, that includes any type of collaborative relationship, above the contractual one for provision of services and realization of infrastructure
- En enlarged definition of the partner of the "public", that includes not only entrepreneurs, but also any other "non-state" actor.

The European Union indicates institutionalized PPPs involve the establishment of an entity held jointly by the public partner and the private partner. The joint entity thus has the task of ensuring the delivery of a work or service for the benefit of the public

The UNDP ART programs promotes The Territorial Working Group is a ensemble of local public, economic, social, and communitarian actors who gather for taking main decision about what to do and how for achieving a specific objective the Territorial Working Group as an ensemble of local public, economic, social, and communitarian actors who gather for taking main decision about what to do and how for achieving a specific objective.

Many examples of in the international experience exist, and among them it is worth to mention:

- the European territorial pacts
- Various structures aimed at local development: Development Agencies, Scientific and Technological parks, Business Innovation Centers, the multi-stakeholders alliance etc.
- the above mentioned UNDP ART Territorial Working groups

Common specific and very interesting features to all these experiences are:

a) institutionalization of the partnership in a durable and viable manner

b) carrying on the objective on initiatives and/or delivering services with a joint management

c) making the alliance with the private sector with the inclusion of non-state actors, over the enterprises.

According to the mentioned experience it is evident the more fertile ground where a PPP can be fed and growth is the local level.

At local level, in fact, the main conditions for the success of the partnership are evident, such as:

1) confidence among the partners
2) operational proximity
3) joint interest and commitment towards the achievement of the results

Nevertheless, there are many enemies of the public-private partnership for local development: centralization, relying only on public responsibility, privatization, and lack of financial resources.

Future challenges, therefore, in public policies really committed to promote, incentive, and support PPP models are based on assuring the sufficient resources and autonomy for their long-term sustainability.

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