

Public-Private Partnerships vs. Public-Private Cooperation: Why Do We Need to Make a Distinction?

Presentation by Rumen Dobrinsky

Project Manager, UNECE segment, EU/UNDP Project “Capacity Development to Support the Implementation of PPP in Belarus”

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What is collaboration between public and private sector?

- The implementation of collective ventures involving heterogeneous stakeholders from the public and private sectors whereby:
 - ✓ there is “division of labour” in which each side contributes what it can do better than the other (“competitive advantage”)
 - ✓ usually involves a process of negotiation to get started
 - ✓ the outcomes may appear to be suboptimal from the point of view of individual partners but are the best for the participants in the venture taken as a whole
- Public-private cooperation is a very broad concept!

The rationale for collaboration between public and private sectors

- Collaboration helps in overcoming knowledge and/or information asymmetries among potential stakeholders -> knowledge sharing
- Collaboration helps in overcoming risk asymmetries among potential stakeholders -> optimal risk sharing
- Thanks to this they help in engineering new projects that would not have been in place in the absence of such cooperation

The rationale for collaboration (contd.)

- Preconditions for efficient collaboration between public and private sector:
 - ✓ There must be a case for division of labour
 - ✓ Trust among partners is essential
 - ✓ Good protection of property rights
 - ✓ Well functioning judicial system which guarantees that contracts are honoured
 - ✓ Predictable business and regulatory environment
 - ✓ Equitable and balanced relationship: none of the partners should seek to impose its own objectives; the joint objective is to reach mutually acceptable decisions
 - ✓ Needs to be a «fair game» in which each party gets a benefit matching its contribution

PPPs as a specific form of P-P cooperation

- PPP: “Innovative, long term, contractual arrangements for developing infrastructure and providing public services by introducing private sector funds, expertise and motivation into areas that are normally the responsibility of government”.
 - A PPP involves a contract (usually, of a long-term nature) between a public sector authority and a private party
 - Typically, a private sector consortium forms a special company - a "special purpose vehicle" (SPV) to develop and run the project
 - The essence of a public-private partnership arrangement is the sharing of risks between the public and the private sector
- This Masterclass, as well as work of the UNECE Team of Specialists on PPPs, focuses exclusively on these types of arrangements

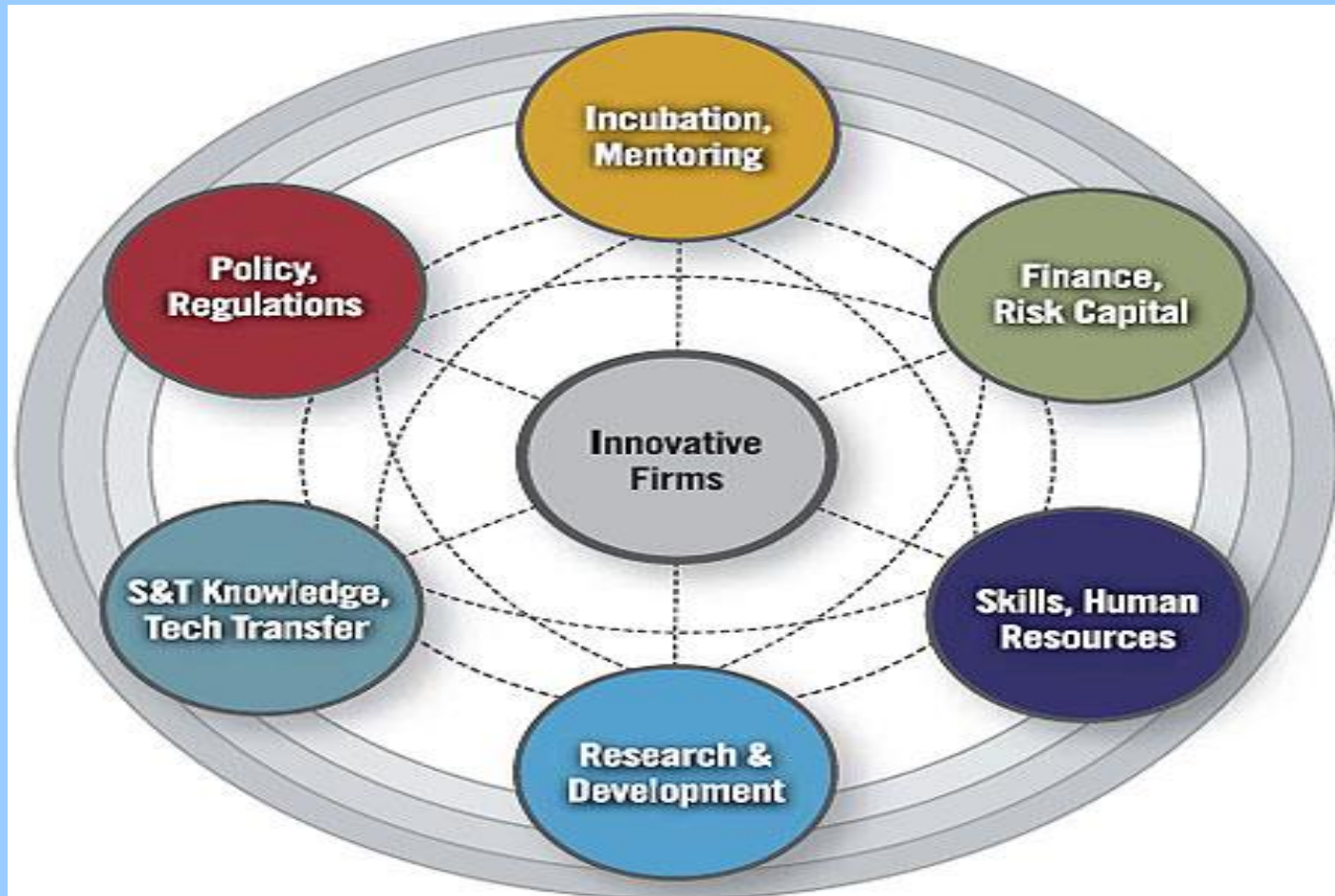
PPPs vs. public-private cooperation

- All those forms of public-private cooperative efforts that do not meet the above conditions should not be called PPPs, to avoid confusion
- We define them as public-private cooperation/collaboration
- There are numerous forms and types of public-private cooperation in running joint projects between the government and the private sector

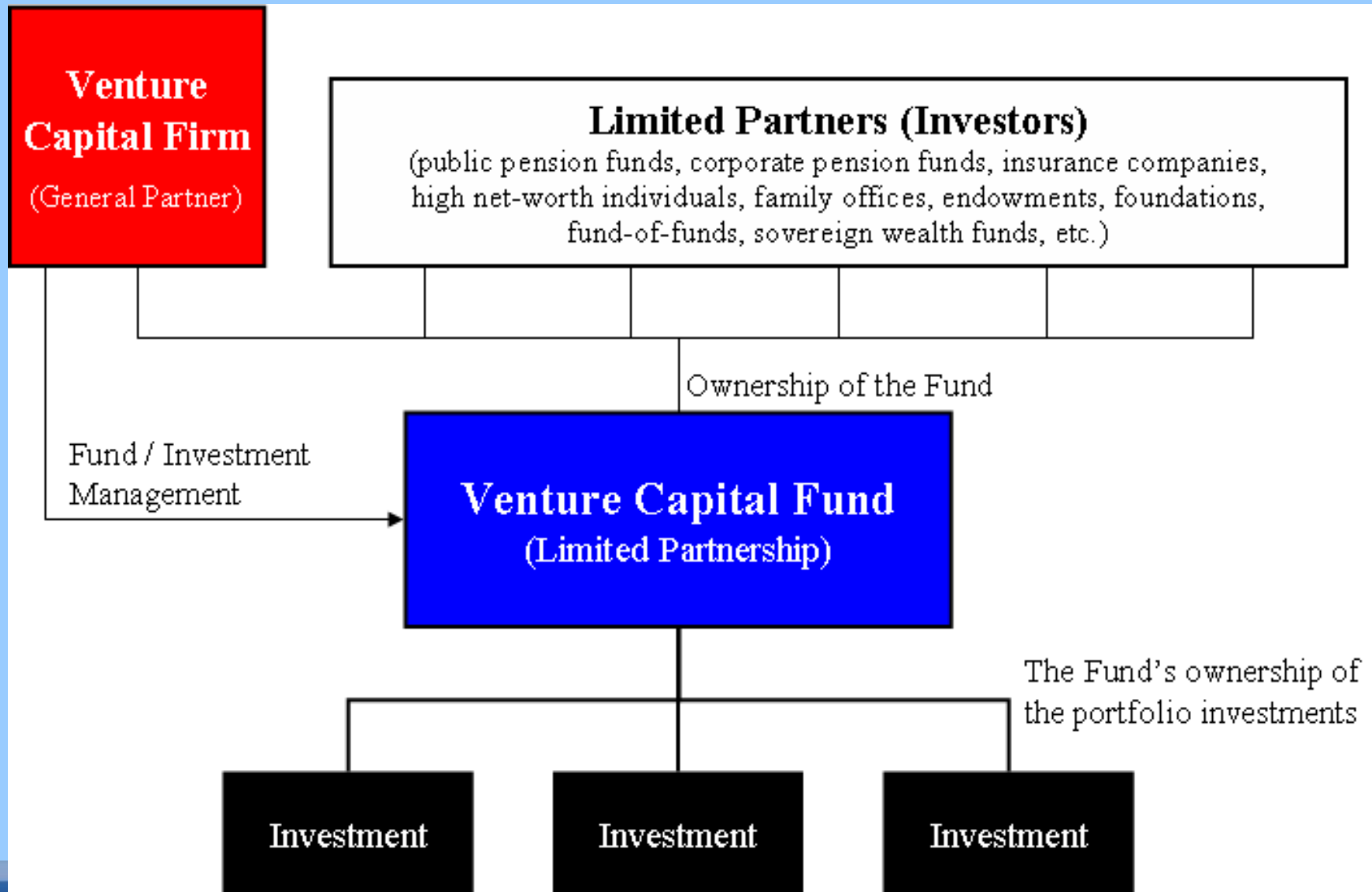
Examples of public-private cooperation: Science parks



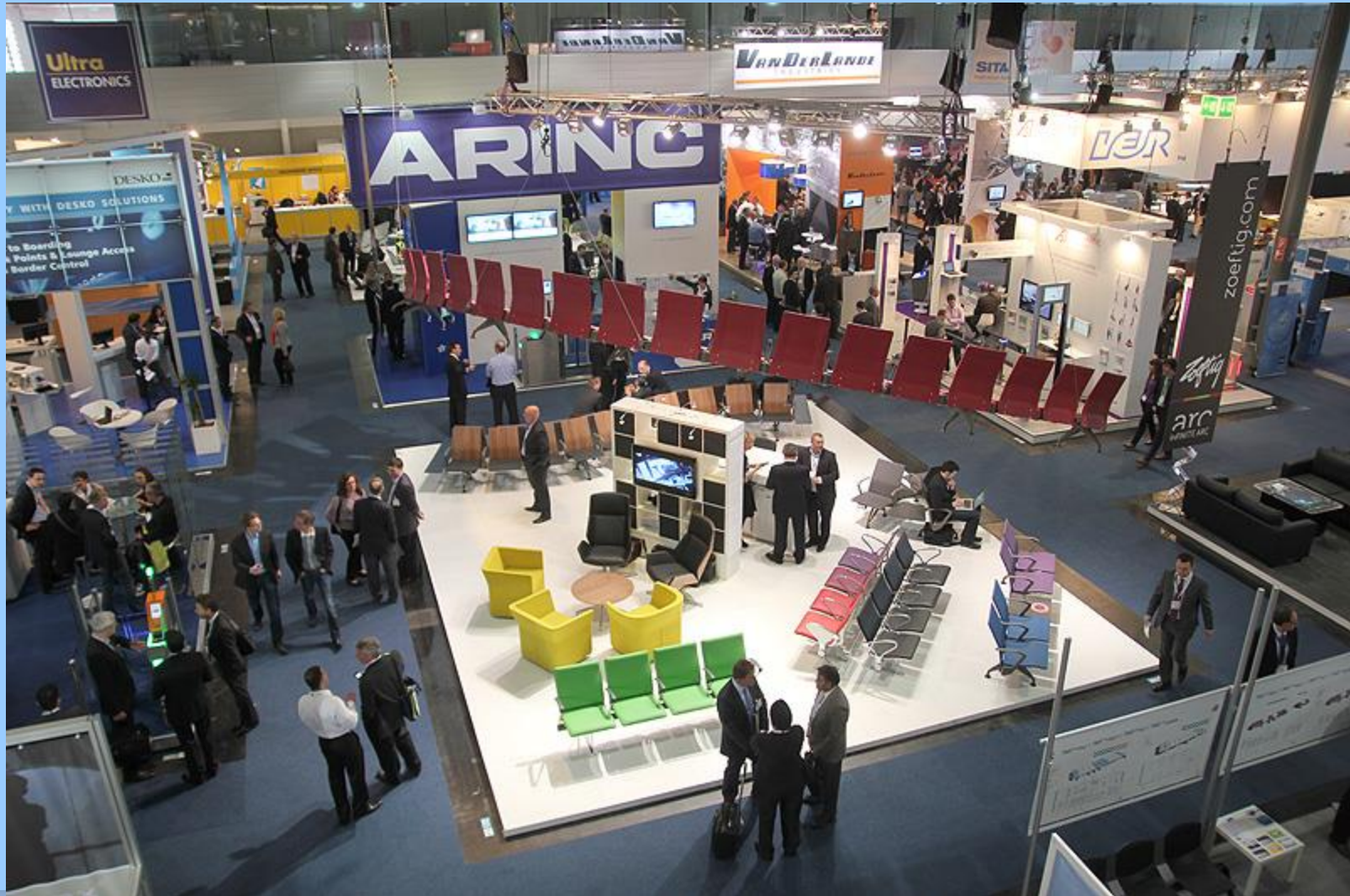
Examples of public-private cooperation: Industry clusters



Examples of public-private cooperation: Venture capital funds



Examples of public-private cooperation: Business forums, fairs, exhibitions



Participatory policy-making as a form of public-private cooperation

- Participatory policies and policy processes are policies designed and implemented by the public sector jointly with stakeholder communities with a view to agreeing on coordinated actions of shared interest (or seeking to achieve common goals)
- On of the most trendy segments of this class of policies - "smart specialisation" - is one brand of such participatory policies
- Smart specialisation is a policy framework that promote new growth opportunities, by enabling regions to focus on their strengths
- Both its design and implementation entail close cooperation between the public and the private sectors

Conclusions

- **Use the term PPP only for the cases that really fall into this category**
- **Using the correct terminology helps avoid confusion and misperception**

THANK YOU!

Thank you!

Rumen Dobrinsky

E-mail: rumen.dobrinsky@unece.org

rumen.dobrinsky@gmail.com