The Value Added of Public Private Partnership: General Overview

Hussien Ahmad AL-TARAWNEH  
Business Administration Department  
Islamic International University  
hat3ms@yahoo.com

ABSTRACT  We live in a tense world. Often at the centre of these tensions is the depth of economic despair that exists in so many places in our world. While a political battle rages about the wisdom of public-private partnerships, the pioneering but controversial concept of mixing public and private is catching on like wildfire abroad. This paper discusses if public private partnerships can and should play a role in education. It provides a brief history of global public private partnerships before touching on the issue within the education sector. It inquires if public private partnerships are good or bad, why consider public private partnerships, takes stock on what is already done as an example for public private partnerships especially in Jordan. The paper concludes that public private partnership can add value. The relevant question here is how to adapt public private partnerships?

KEY WORDS  Public Private Partnership, Jordan Education Initiative, World Economic Forum, value added, Multi Stakeholder Partnerships for Education

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1. Introduction

Public-private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP, P3 or P³.

PPP involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the strength of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government. Government contributions to a PPP may also be in kind (notably the transfer of existing assets). In projects that are aimed at creating public goods like in the infrastructure sector, the government may provide a capital subsidy in the form of a one-time grant, so as to make it more attractive to the private investors. In some other cases, the government may support the project by providing revenue subsidies, including tax breaks or by providing guaranteed annual revenues for a fixed period.
1.1. A brief history of public private partnerships

The term public-private partnership has many different definitions, especially across different sectors. In a strict definition, a public-private partnership is a model of development cooperation in which actors from the private sector (private corporations, corporate foundations, groups or associations of business) and the public sector (Ministry of Education, local authorities and schools) pool together complementary expertise and resources to achieve development goals.

The two means of provision – public and private – can be characterized according to the way that they are managed and financed. In their purest forms, public provision is managed directly by the government and the expenditures are met by tax revenues while in private provision revenues are derived from fees and private contributions and the providers are free to determine the type of their educational services.

Since the 1980s policy makers have increasingly recognized that the traditional methods of education finance and management were unable to deliver quality basic education to all children and that radical changes were needed. Two responses to this “excess demand” and the need of enhanced quality of provision have been an increase in emphasis on participation in education from the private sector, and a push for the establishment of public private partnerships.

Public private partnership can complement and enhance the role of the government in the provision of education. The task that each player can provide includes financial provision, pedagogical development, human resources development, service delivery, infrastructure, facilities management, among others. For these reasons, it is critical to investigate which are the appropriate roles of each stakeholder in the provision of education in the context of specific markets and locations.

In principle, companies and business associations kept their distance from the UN for many years. However, individual companies did appear early on at the UN as sponsors. One particularly symbolic example is that of multimillionaire John D. Rockefeller Jr’s gift to the UN. At the end of the 1940s, he donated $ 8.5 million to purchase a piece of land on the New York East River for the UN’s headquarters. Without this donation, the UN today would probably have its seat on the outskirts rather than in the centre of the city.

Until the 1980s such collaboration tended to be one-offs, with international politics largely remaining the territory of governments. The United Nations was founded in 1945 as a state organization and - then as now - there was no international legal basis covering hybrid forms of international collaboration. The move towards what we can now describe as a boom in global partnerships was not a linear progression, nor did it proceed at a steady pace. The post Second World War development took place in three broad phases:

The first phase, from the 1940s to the 1960s, was characterized by the reconstruction and new creation of state structures after the Second World War destruction and the end of colonialism. International politics at this time was defined by decolonization and the cold war, and by confronting between states and blocks of states. Non-state actors played little or no role.

In the second phase, the 1970s and the 1980s, confrontation was no longer only between states but also between states and non-state actors. On the one hand global social movements for the environment, women’s rights, disarmament, and democratization grew up in opposition to the political establishment. On the other, multinationals gained economic power and political influence. These developments tended to provoke defensive reactions from most governments who tried to maintain political control.

The term “partnership” was as yet a foreign concept within international political discourse.

This changed in the third phase, which began in 1989 and is still ongoing. The end of Eastern European state socialism, the dominance of a neo-liberal ideology which pushes for less state
intervention, deregulation and privatization, together with overwhelming global problems have opened the way for increasing integration of non-state actors into international politics.

When Kofi Annan arrived as Secretary General of the United Nations in January 1997 he opened the UN to the private sector. In the very first month, Annan travelled to Davos for the World Economic Forum, where he told hundreds of the most influential business leaders in the world that “The link between the work of the United Nations and the business is a vitally important one. (...) Strengthening the partnership between the United Nations and the private sector will be one of the priorities of my term as Secretary-General”.

Also Secretary General Ban Ki-moon deemed that business and the United Nations need each other. The UN needs business innovation, the initiatives and technological prowess. But business also needs the United Nations. In his address to the UNA-USA Business Council for the United Nations and the Association for a Better New York on 10 January 2007, Secretary-General Ban Ki-moon stressed that business, trade and investment are “essential pillars of peace and prosperity” and confirmed that the United Nations must engage more fully with non-state actors in order to bring about a prosperous, more secure and peaceful world.

For the 2002 Monterrey conference on Financing and Development, the private sector and NGOs were included systematically right from the start in the preparatory phase. For the first times in the history of the UN, the opportunity to become accredited was offered not just to business associations with consultative status at ECOSOC, but also to individual companies. This meant that companies such as Cisco Systems or Deutsche Bank were able to take part in the negotiations alongside civil society organizations such as Third World Network, Oxfam or Social Watch. This decision set a precedent, but one which was unsupported by any legal relationship with NGOs.

2. Public – private partnerships in the education sector

Education is generally perceived as the prerogative of the government. Lack of financial and managerial capacity often impede the governments’ ability to meet their obligations in regard to their national education systems. Governments can use partnerships to make up for deficiencies in state education programs. At the same time, improving education around the world is in the long-term interest of every business. There are benefits from engaging in enhancing skills of workers, developing brand reputation and strengthening community relations. Even if their core business does not directly relate to the education sector, many companies find that their core competencies can add significant value.

Chronic financial constraints in developing countries, together with the positive experiences made with public private partnerships, have led to new private and community management, financing, and investment in education. An important element of success is lining up private sector efforts with broader policy frameworks and strategies. At the global level, this can mean broad campaigns or commitments such as the World Declaration on Education for All or the Millennium Development Goals.

At the national level, there are many intervention points within the education system where highly valuable private sector competencies could be joined with the competencies of the public sector.

The private sector is becoming an essential partner in promoting education. A large number and variety of public and private partnership initiatives are being carried out in many different countries. Over the past few years, the number of UNESCO’s partners from the private sector has increased to several hundreds, ranging from multinational companies to small and medium sized
enterprises, philanthropic trusts and foundations, economic and business associations and individuals.

2.1. The Global Compact - World Economic Forum 2003

By empowering our youth through this education initiative, Jordan and its World Economic Forum partners can create a dynamic and practical model of public-private partnership in the area of ICT that can ignite the engines of growth for future generations in Jordan and the region." H.M. King Abdullah, King of the Hashemite Kingdom of Jordan.

The GEI announced the full transition of the Jordan Education Initiative, launched in 2003, to the government of Jordan under the patronage of H.M. Queen Rania of Jordan. The JEI was formally launched in June 2003 at the Extraordinary Meeting of the World Economic Forum at the Dead Sea. The JEI focuses on four key objectives:

- Improve the development and delivery of education to Jordan’s citizens through public-private partnerships, and in the process help the government of Jordan achieve its vision for education as a catalyst for social and economic development;
- Encourage the development of an efficient public-private model for the acceleration of educational reforms in developing countries based on unleashing the innovation of teachers and students through the effective use of ICT;
- Build the capacity of the local information technology industry for the development of innovative learning solutions in partnership with world class firms, creating economic value that will lead to mutually beneficial business opportunities;
- Leverage an environment of national government commitment and corporate citizenship to build a model of reform that can be exported to and replicated in other countries.

So powerful is the capture of the JEI that to date no less than 17 global corporations, 17 Jordanian entities, and 11 governmental and non-governmental organizations are working together to achieve the JEI objectives in partnership with the Government of Jordan. Direct contributions to the Initiative from global and local partners have reached over US$ 25 million.

JEI’s Public Private Partnership model has led to the improvement in e-content development skills for 50,000 pupils in 100 "Discovery Schools" in Jordan. Partnerships for Education (PfE) aim to create a global coalition for Multi-Stakeholder Partnerships for Education, including the private sector, in order to advance progress towards the objectives of Education for All (EFA). Partnerships for Education are an initiative of UNESCO and the World Economic Forum.

Its goals are to enhance global understanding of the value of Multistakeholder Partnerships for Education (MSPES), focusing particularly on the roles of governments and the private sector, and to support the delivery of such partnerships to help achieve the Education for All (EFA) goals.

2.2. Jordan Education Initiative

The Jordan Education Initiative was conceived at the Annual Meeting of the World Economic Forum in Davos, Switzerland in January 2003, when the Governors of IT and Telecommunications agreed to sponsor an initiative for education reform in a developing country. Jordan was chosen as the pilot country and was challenged with developing a proposal "of significant scope and size" that would catalyze a process of change and create value that transcends its borders. The JEI was formally launched at the Extraordinary Meeting of the World Economic Forum at the Dead Sea, Jordan in June 2003.

Partnership Model. The Jordan Education Initiative has brought together a wide range of global and local organizations from the private, public and non-governmental sectors. The global
private sector provided much of the initial project leadership and resources, as well as project management expertise and personnel. International donors have become substantial providers of resources, and have also contributed expertise in this type of development initiative. International NGOs have contributed specialist expertise in education, and plugged the initiative into important global networks. However, for each global organization there has been a local counterpart. One of the key features of the JEI is the leading role of local partners; this not only ensures local ownership and accountability but also facilitates the transfer of knowledge and capacity to Jordan. The government of Jordan has been critical in opening its education system to reform, providing an overarching vision and political leadership, stepping in to cover funding gaps, and implementing innovative programs within some schools. The local ICT industry has been responsible for the day-to-day execution of many of the most advanced programs (e.g., e-Curricula development) and has provided necessary drive and entrepreneurship. But larger indigenous companies have in some cases played the same role as the global private sector - funding and leading programs, and providing overall project management. Finally, academics have been called upon to provide international education expertise and best practice, and to monitor the ongoing impact of the initiative. However, the partnership structure is highly flexible – there is no one partnership model within the JEI. It is more correct to see the initiative as encompassing a range of different working structures. This is in keeping with the decentralized nature of the Jordan Education Initiative. While there is a central Program Management Office, it is a small body whose role is limited to coordination and facilitation of partner activities. Responsibility for program execution and delivery of results rests with the partners themselves, organized into small working groups for particular programs. There is minimal “top down” direction or strategy. In many ways, the JEI acts as a “market place” for ideas, where partners can innovate and test new learning models and programs, and create different partnership structures based on the needs of particular programs.

So far, this model has enabled the JEI to attracting 35 active partners from the private, public and nongovernmental sectors.

3. Public Private Partnerships: good or bad?

There are also critical voices concerning the new partnership approach. Above all, the risk of an overwhelming influence of private business in particular, the potential decision-making power private actors could gain on international political priorities and its financial commitments are widely criticized.

Public private partnership could be a device for government to keep oppositions out. It works by allowing the government to spend more on political sensitive issues like schools and in politically sensitive places without startling the electorate with higher taxes or new debt. Any opposition would consider such an invention a curse.

But public private partnership is not just an expensive accounting trick. True believers in public private partnership do not really make their case around the government’s ability to spend without taxing or borrowing. They claim that public private partnership allows public services to be delivered quicker, cheaper and better. The counter claim is that they are no quicker, no better and only cheaper because they shift employment from reasonably paid public sector jobs to poorly paid private sector jobs.

3.1. Why consider Public Private Partnership?

Effective education can best be achieved when government collaborates with a range of other actors – private sector, civil society, independent experts, communities, and families. Public
private partnerships entail the pooling of resources, competencies, and capacities from the public and private sector to achieve outcomes that add value beyond what either party could achieve acting alone. The approach builds on the idea that different sectors in society – public, private, civil society- have different yet potentially complementary core competencies and resources that, if appropriately joined, produce a positive sum to advance public and private goods.

Clearly, business benefits from a well educated work force, political stability and economic growth – all products of a sound education system. Partnerships can provide access to national and community leaders enhance a corporation visibility and reputation, and help deliver on corporate social responsibility commitments.

Government benefit from public private partnerships by gaining access to corporate expertise and experience in management, strategic planning, innovative problem solving, labor market expertise, skills development, efficient delivery of goods and services, product development, and logistical support.

3.2. Should Public Private Partnership be integrated in development cooperation?

International agencies, including multilaterals like the World Bank and the United Nations and bilateral agencies are also key players. Different evaluations showed that as a rule public private partnership projects are more significant and develop a greater structure-building impact if they are acquired in such a way that they complement development cooperation priority areas. However, integrating Public Private Partnership in bilateral takes place only slowly and the potential for meaningful public private partnership’s measures in bilateral development cooperation appear in no way to have exhausted.

Before embarking on public private partnerships in education, business partners should be aware of a number of key initiatives that are important to the way education policy and programming is happen today in developing countries.

Social science researchers have concluded that there are three essential elements to effective partnership: vision, intimacy and impact. Vision refers to the goals and structure: identifying collective objectives, agreeing on targets, clarifying roles and responsibilities of each partner, acknowledging core competencies, and developing strategies. Intimacy refers to the fact that successful partnerships depend upon trust and open communication, the presence of champions of partnership within each organization, transparency regarding risks and challenges, inclusiveness, sharing of best practices, and mutual accountability. Impact signifies the importance of being results-oriented. Partners might use existing frameworks (international and national) as a base; give attention to ensuring inclusion of key local issues and indicators.

The above represents an ideal in which governments, the private sector, and civil society work together seamlessly. Real-life partnerships are by definition less than ideal. Successful partnerships take time to develop and can be undermined by premature expectations of results, incompatible organizational cultures, competition between collaborating agencies, or uncommitted leadership. Organizations partner for a variety of reasons, including the desire to increase scope and scale, mobilize resources, improve quality, or build capacity. However, what is interesting is that there are increasing numbers of more complex partnerships in the education arena in which attention is given to (1) a shared vision; (2) recognition of the importance of complementary roles; and (3) creation of a culture of collaboration and joint ownership. In such partnerships, the strengths of all parties are leverage. Accordingly public private partnership can be an added value for the educational sector and many other sectors if they use it wisely.
4. Conclusions

Theory suggests that PPP’s can increase access and improve quality in education in a number of ways: (i) by allowing school choice, (ii) by putting competitive pressure on private schools to remain in the market, (iii) by making school operations more flexible, (iv) by setting quality-driven output specifications, and (v) by ensuring an optimal level of risk sharing between the public and private sector. Public funding of private schools is justified by the argument that poor students will benefit from the opportunity to enroll in private schools of superior quality than the public schools that would otherwise be their only option.

Partnership is a powerful means of achieving collective goals, but only when there is a good strategic fit between collaborators, and when the benefits of partnership outweigh individual action. The development of PPP’s is an on-going process. Shortcomings of early PPP’s have been recognized and the lessons learned incorporated into subsequent projects.

It is also recognized that the 'one size fits all' approach doesn't work. Despite the difficulties that PPP’s have encountered, it seems likely that more and more countries will use them and for increasingly varied purposes.

The main rationale for Public-Private Partnership (PPP) programs is the potential role of the private sector for expanding equitable access and improving learning outcomes. In low income countries excess demand for schooling results in private supply when the state cannot afford schooling for all. In high income countries, however, "differentiated" demand leads to a demand for private schooling, as a sophisticated clientele demands different kinds of schools. By providing demand-side financing and contracting private organizations to provide support services, governments can provide better choices to parents and grant them an opportunity to fully participate in their children’s schooling. The education market highlights the importance of effective regulatory frameworks and contractual instruments to ensure quality and effective use of public resources.

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