كلية محمد بن راشد للإدارة الحكومية
MOHAMMED BIN RASHID SCHOOL OF GOVERNMENT

منتدى الإمارات للسياسات العامة
UAE Public Policy Forum

UAE PUBLIC POLICY FORUM

PROCEEDING REPORT

15-16 JANUARY 2018

UAE Public Policy Forum Proceedings Report

15-16 JANUARY 2018

Mohammed Bin Rashid School of Government

Acknowledgement

Special thanks to MBRSG Board of Trustees, the Executive President and the Dean for their support of the forum. We acknowledge the efforts of MBRSG staff and faculty for their support and hard work in organizing the events of the forum especially the Content Development team, the logistics team, the Business Development Team, the Finance team and all other individuals and department who worked tirelessly to make the event possible. We would also like to thank the moderators, participants and panelists for their insights and for sharing their research and valuable knowledge with us.

Foreword

In January 2018, the MBRSG hosted the second annual UAE Public Policy Forum under the theme Shaping the Future of Public Private Partnerships. This event forms part of our strategy to facilitate knowledge sharing across government and our mission to advance good public governance through research production and best practice dissemination. The chosen theme is an acknowledgement of the increasing role of the private sector in contributing to development of infrastructure and social services around the region and further afield.

This forum seeks to foster a collaborative community of leaders from multinational companies, as well as members from governments, foundations, professional organizations, academia, and civil society. Together they can leverage the strengths of varying sectors and multiple disciplines to yield benefits for the UAE and other countries who are looking to Public Private Partnerships as an enabler of economic growth and innovation in sectors such as education, health, transport, sustainable development and technology. At MBRSG, we believe that sustainable partnerships among these stakeholders can foster constructive dialogue, knowledge exchange, increase innovation and utilization of technology to expand corporate social responsibility and advance the futuristic outlook of the country, outline in the National Agenda 2021.

The two days UAE public Policy Forum 2018 encouraged conversations and interactions about the value of PPPs, the need for a hybrid and adaptive form of PPP that is best suited to the countries of the GCC, accountability and performance of PPP stakeholders and the regulatory and business conditions needed to attract PPPs. The round table panels, concurrent sessions, policy councils and PPP masterclasses were perceptive and impactful. All the sessions addressed vital topics and themes that will definitely shape the future of Public Private Partnerships in the UAE and the wider region.

The following proceedings report is a concise summary of the events and discussions of the forum and I hope that it will act as a good resource for researchers and policy makers alike.

Dr. Ali Al Marri
Executive President
Mohammed bin Rashid School of Government

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UAE Public Policy Forum 2018 Introductory Remarks

As governments around the world seek to provide a growing population with the required public services and infrastructure, there is an increased interest in using Public-Private Partnerships (PPPs) as a solution. In the UAE, the PPP framework that is evident acknowledges and structures the role for government as one that ensures that social obligations are met through successful sector reforms and public investments alongside private sector engagement. This participatory model holds vast potential and requires policy adaptation to optimize the mutual benefits to the public and private sector as well as citizens

In 2015, the state government of Dubai enacted Law No 22 on Public Private Partnerships to leverage economic development through sustainable development projects. In so doing, Dubai modelled international best practices and entered into PPPs, which attracted private capital investment, supplemented public resources in a post oil economy, created employment opportunities, increased efficiency and accountability in numerous sectors. As a result, of these PPPs, public provisions have seen remarkable reforms and diversification. The Department of Finance (DoF), who overseas PPPs in Dubai, clearly articulated the importance of this model for national and regional development in the 2016 edition of the PPP guidebook, which they developed. Successful examples of PPPs have been realized in the Education, Health, Transport, Sustainable Development and Technology & Innovation sectors. The forum highlighted the best practices in these sectors locally and internationally and sought to create a useful PPP framework for future partnerships.

The UAE Public Policy Forum held at the Dubai World Trade Centre on January 15 and 16 2018, was organized by the Mohammed Bin Rashid School under the patronage of His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE vice President and Ruler of Dubai. The forum critically examined the potential of public private partnerships to help private and public sector stakeholders understand the current landscape of PPPS, to evaluate ongoing PPPs in the UAE, exchange ideas and experiences of best practice in PPPs and establish networks for future PPP policy development.

The plenaries, seminars, academic presentations, knowledge hubs and policy councils at the forum were structured around six pillars:

- Defining, designing and evaluating PPPs. (What are PPPs in the UAE context?)
- Enabling environments for PPPs . (Political , legal, financial and institutional frameworks)
- Strategic Planning for PPPs. (What is the process for developing and implementing a PPP project?).

- Accountability and performance of PPPs (case studies, alternative models)
- Technology and innovation in PPPs
- Policy development for PPPs in the future.

The UAE Public Policy Forum 2018 brought together major stakeholders from the government and the private sector to shape the future of public private partnerships in the UAE based on best practice models from UK and Australia. The forum gave voice to ministry officials, regulators, private investors, practitioners, researchers, academics, policy makers and students from various dimensions of the public and private sector with inter- disciplinary interests so that pathways to future partnerships between the private and public sector can evolve. Over two days of candid round table discussions, academic concurrent sessions, policy councils and PPP master classes, a number of salient points emerged to provide guidance as we navigate future policy making that will be adaptive to the paradigm shifts that are taking place in the UAE. The recurrent themes in the forum were the selection of private partners with an interest and understanding of the local context of the UAE, long term and agile contracts that can be adjusted over the life of the partnerships, public involvement in the determination of how public private partnership operate and inclusion of SMEs in large scale PPP contracts

As we seek to optimize the deliverables from this conference, the Mohammed Bin Rashid School of Government is committed to working assiduously with the public and private sector to address any gaps in developing a public private partnership strategy that benefits all stakeholder. This will be achieved through ongoing research, executive education training and consultation projects with key stakeholders in both public and private sector. To effectively operationalize the vision of our leaders, the UAE Public Policy Forum has documented salient ideas and best practices from the participants. With the appropriate availability and deployment of resources, the objectives of shaping the future of public private partnerships will chart the course of an optimal future to the satisfaction of all stakeholders. Through the harnessing of knowledge, collaboration, innovation and creativity, the required policy development that will facilitate sustainable and beneficial public private partnerships can be a realized.

Dr. Racquel Warner

PPF Content Leader

Chairman's Remarks

Under the patronage of HH Sheikh Hamdan bin Mohammed bin Rashid al Maktoum, Crown prince of Dubai, Chairman of the Executive Council, and in presence of Sheikh Ahmed bin Mohammed bin Rashid al Maktoum, president of the Mohammed bin Rashid Knowledge Foundation, HE Humaid Al Qatami, chairman of the MBRSG board of trustees inaugurated the 2nd Public Policy Forum. In his welcome note, Al Qatami underlined the importance of public private partnerships (PPPs) in the UAE's development journey. To that effect, he emphasized the world-class experiences and the pivotal role the private sector plays in development. Al Qatami indicated that the Forum would be looking into all potential opportunities to expand PPPs, share ideas and experiences to implement best practices, and develop relevant policies. He further emphasized that partnerships were symbolic of the UAE's development success story. In conclusion, he reminded that a successful PPP necessitates that both sectors work together in the same direction in a spirit of innovative cooperation, a shared culture, coordination and consultation to elaborate the legal and regulatory framework, and build trust and integrity through harnessing governance and transparency.

Showcase Strands

Learning from the UK and Australian Experience of Public Private Partnerships

Agreements and partnerships between the public and private sector are as old as political systems that adopted this model of economic growth and provision of public sector services centuries ago. In recent decades, in an attempt to increase economic efficiency, diversify economies and stretch public sector funds, there has been a global resurgence of public private partnerships. While each country might develop a contextually nuanced model, essentially the aims of these projects are usually the same, to fast track the enhancement of public services at a reduced financial cost to the government and to tap into private sector expertise and funding for the provision of better services. The United Kingdom (UK) and Australian delegates were invited to the UAE Public Policy Forum 2018 to share their experience of PPPs in their countries.

In the 1980's the UK government embarked upon an assertive privatization drive as a way to build or improve its existing public service infrastructure. Sectors such as public utilities, airports, airlines and energy were privatized but regulated by the government. Nearly a decade later in the 1990's the overland transport sector was privatized and operated by private franchisees. By the 2000, private finance initiatives (PFI) were introduced to develop and enhance social infrastructure such as schools, hospitals and waste management .This was different from the privatization model previously used in the 1980's and 90's. Under the PFI, government retained some control of the assets and regulated the industries in which private financing was being used to reform or modernize the public services. The legacy from the era of privatization left the government with aging and poorly maintained infrastructure, a backlog of school repairs estimated at £7billion and National Health Service (NHS) infrastructure maintenance costs of over £3billion in 1997. This was a hard lesson that was learnt about privatization.

The UK government saw the PFI model of public sector services development as an enhanced method of injecting private sector funds for major capital investments in public projects, which relieved the government of having to cover the cost of these provisions up front, but at the same time giving the government control over how these provisions were operated. The PFI or Public Private Partnership model of developing and enhancing public sector provisions improved value for money procurements, improved transparency of costs in public sector spending and allowed government to tap into the resources of the private sector. As shown in Figure1 PFI/PPPs improved the on time and on budget delivery of projects by 50% and 40% respectively, between 2005 and 2008.

COMPARISON WITH CONVENTIONAL PROCUREMENT EVIDENCE

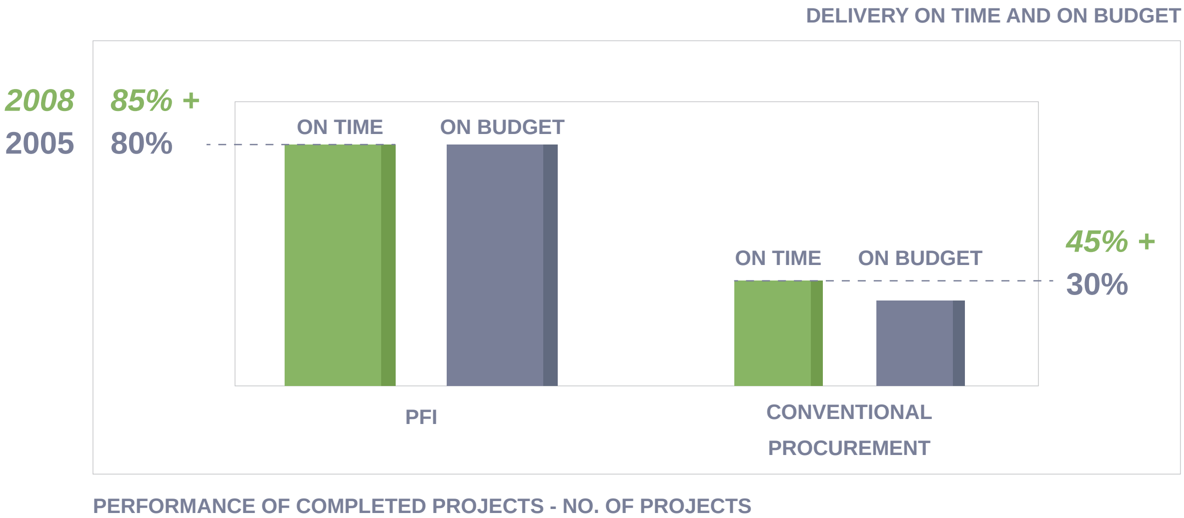


Figure 1 — Performance of PPP/PFI projects compared to conventional procurement

As they sought to optimize private partnerships, the UK government had to create an institutional framework that would facilitate these projects. In 2000, the Partnership UK (PUK) was established as a private entity that would oversee public private partnership contracts. In 2010, the PUK was re-branded as Infrastructure UK (IUK) and it became a government entity within Her Majesties Treasury (HMT). In 2016 the IUK was renamed the Infrastructure and Projects Authority(IPA) which is now the government's centre of expertise for infrastructure and major projects with the central purpose of continuously improving the way infrastructure and major projects are delivered, in order to support government priorities and improve people's lives. The IPA aspires to create the best performing project system of any country in the world through the following matrix.

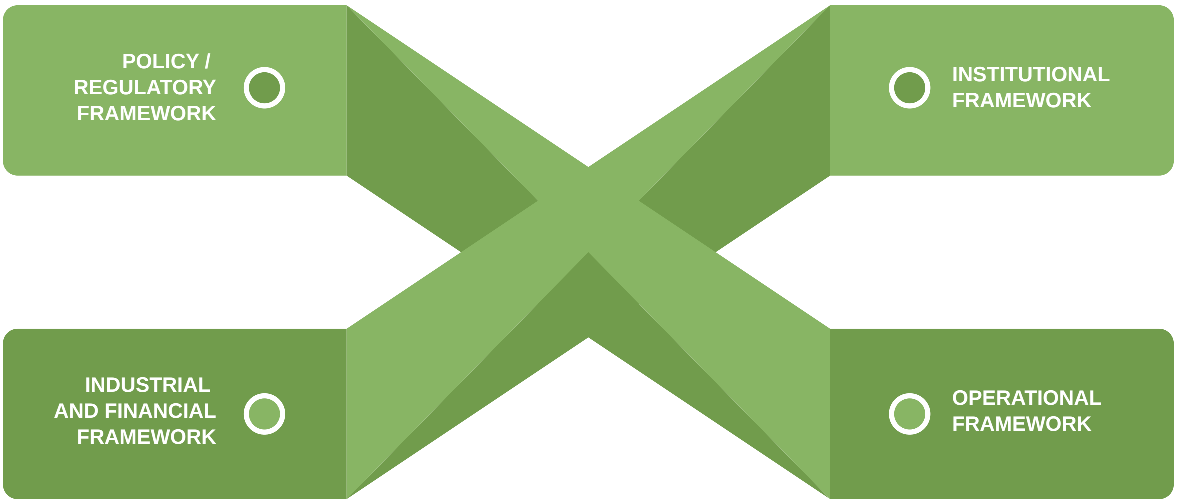


Figure 2 — Key PPP Framework for IPA Success

1. Policy/Regulatory Framework

- Political Commitment (as well as Political Accountability)
- PPP Policy / Law (including independent judiciary)
- Investment PPP programme & pipeline

2. Institutional Framework

- Central PPP Unit
- Sector specific units
- Technical capacity (in-house and external advisors) or procuring authorities
- Multilateral / public sector funding

3. Industrial and Financial Framework

- Contractors, operators and facility management providers
- Legal, technical and financial advisers
- Debt and equity providers

4. Operational Framework

- Clear processes
- Practical guidance and methodologies
- Standard contracts an project documentation

The success of PFI/PPP have not occurred without challenges and criticisms, prompting the IPA to review and revise the aspects that were not as effective. Today, the PF2s are negotiated to ensure that there are no hidden liabilities for the public sector, overspending is controlled, returns on equity are not capped, there is a public sector representative from HMT on the board of the projects and there is more flexibility built into the lifecycle of the PF2 contracts. It is important to note that the UK government has not limited itself to a sole procurement model, but through the work of the IPA are able to determine the best available options based on the complexity of the procurement and the extent of central involvement as shown in figure 3 above.

PF2 IS THE ONE OF THE UK PROCUREMENT MODELS

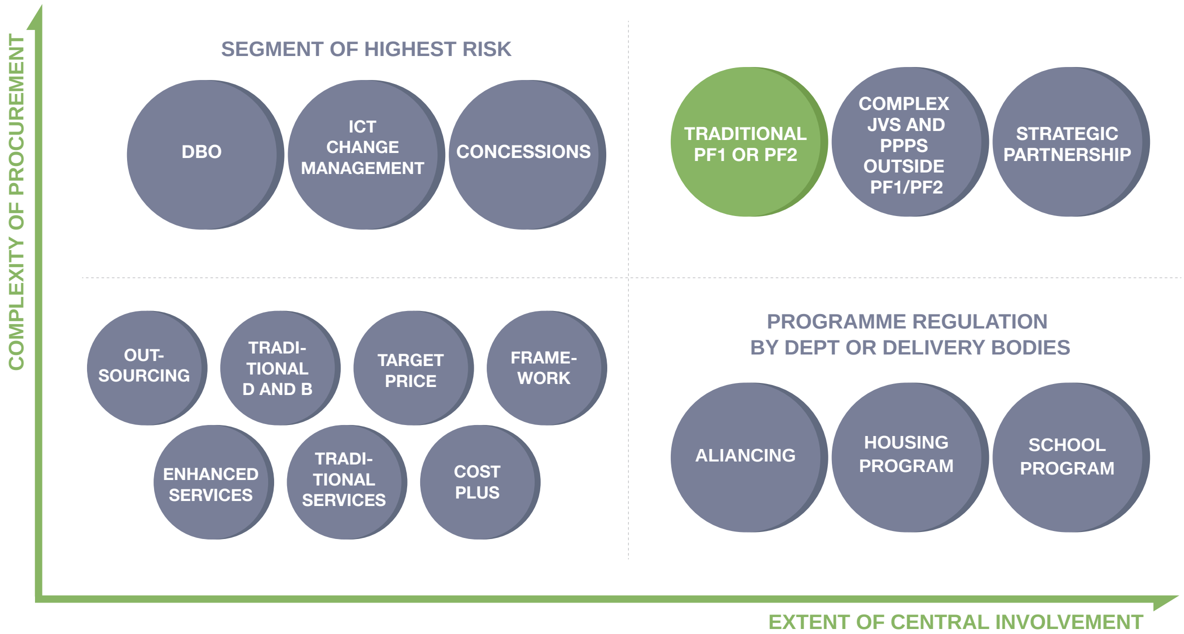


Figure 3 — Model of Procurement used by UK Government

From the experience of the IPA, private sector partners are looking for a number of key outcomes from partnerships with the government. An awareness of this can facilitate much better negotiation among the partners. Some of the enablers for successful PPPs are:

- To make a **reasonable profit**
- To see a **pipeline** of opportunities which justifies development investment (in bidding capacity and supply chain management)
- To engage with a **competent, intelligent and decisive client** during procurement
- To enjoy **continuity** of relationships in the transition from procurement to contract administration
- To contract with a **substantive public entity** able to support its contractual obligations
- To get to contractual certainty **rapidly** and **cost-effectively**
- To see **consistency** of procurement approach, risk allocation and contractual rights and obligations
- To be **penalised reasonably** for poor performance but incentivised to rectify the fault
- To avoid **hair-trigger termination** provisions
- To enjoy reasonable **protection / compensation** in the event of termination (no windfall for public sector)

Given the experience and extensive development of various procurement models in the UK a number of lessons have been learnt. Most importantly, public private partnerships must be tailored and unique. Public Private Partnership contracts should not be used for soft services such as IT procurement, because these are short-term projects. Additionally, a thorough assessment of the reason for inviting private financing of the project should be done using both qualitative and quantitative methodologies in order to ensure optimal benefits for all stakeholders. Projects should not be determined solely based on the Value for Money (VfM) proposition. Dedicated project teams or units should be established to prepare, procure and manage the projects. Advisors on the projects should not be limited to one sector and they should have a clear understanding of the project requirements and processes. Governments embarking of PPPs as a model of development are encouraged to use available resources within their borders to adopt, adapt and tailor international best practices to suite their context. There is no need to re-invent the wheel. However, regardless of the nature of the projects or programs, PPP contracts, documents and approval process should be standardized at the central government level to assure the quality across all sectors.

The Australian Experience of Public Private Partnerships

Public Private Partnerships in Australia distinctively fall into two periods, pre 2000s and post 2000s. In the Pre 2000 phase of the government in Australia use infrastructure based outsourcing and privatization characterized the partnerships that government entered into with the private sector. These arrangements attracted much less criticism from the public as essentially the government was paying a private contractor to deliver a public service such as running state correctional or health care centres or maintaining public infrastructure such parks or schools. The government paid directly for the services and still maintained control of the assets. The contracts offered for outsourcing or privatization varied from short to long term depending on the nature of the public service. After significant review of the public private contracts, the Victorian Government established the Partnerships Victoria in the department of treasury and finance in 2000 as the unit that would oversee all PPP contracts and projects. In 2005, the Partnership Victoria model was adopted as a federal framework for PPP development and implementation.

In fact, the Victorian PPP model bore close resemblance to the UK PFI model in that privately funded projects allowed government to assume less risk, guaranteed a revenue stream and allowed for an injection of private funds in the provision of public service. In exchange, the private partners was ensure a long-term contract based on the VfM that they could provide to the government.

PPPs in Australia has continued to evolve from small projects to landmark and complex projects and also in the area of auditing and reporting of spending on these projects. Prof. David Dombkins a PPP advisor to the UN presented this full paper during the showcase strand on Day 2 at the UAE Public Policy Forum 2018 and it gives very clear guidelines on how PPPs should be developed in the context of the GCC based on the experience of the UK, Europe and USA.

Featured Paper 1

SHARAKAH, Dr David H Dombkins

There is a growing recognition that the existing PPP model is limited and outdated. A senior leader in a key multi-lateral organisation recently stated:

> *I think moreover that PPP has probably had its day and we need to explore the new models you [Dr David Dombkins] have espoused".*

The new models that they are referring to are the Flexible Bid Model and Public NGO Partnerships. Whilst the environment that PPP projects now exist in has substantially changed, there remain far too many resources and expectations that are still being wasted on developing capabilities for outdated PPP Models.

In countries that are mature in PPP, such as Australia, United Kingdom, and Canada, the traditional PPP model is increasingly being restricted in its use to simple and smaller projects. These countries have effectively abandoned the traditional model of PPP and it has been replaced by innovative PPP models that are supported by investors and operators, provide genuine flexibility and governance, and lower the transactions costs.

Unfortunately, many countries are putting considerable resources into establishing legislation and capabilities based on an outdated PPP model. For these countries, the ambition to imitate the PPP markets of countries mature in PPP is equally as futile as pursuing a strategy to establish a local capability to compete effectively with Silicone Valley. GCC countries need to develop and establish PPP models that can be effective with relative low levels of PPP Readiness and that pass the risk of doing business tests for major equity investors and operators.

In the GCC this means developing deep local competences in the full range of PPP options and in managing complex projects - this cannot be done through consultants. To overcome the issues of low trust and low PPP Readiness the new Sharakah model must be truly based on win-win partnerships, and be supported by robust and reliable local PPP capabilities in PPP contract management.

The Flexible Bid Model and the Public NGO Partnership Models provide a sound foundation to develop Sharakah PPP Models for the GCC:

- The Flexible Bid Model (originally called the Inverted Bid Model) was developed in conjunction with large equity investors and supported and recommended by G20 and OECD. It overcomes the limitations and risks with the traditional PPP Model and fits with today's environment.

- The Public NGO Partnership (PNP) Model expands the scope of PPP to include services provision in areas that are usually of no commercial interest to the private sector. The PNP model transforms NGOs into For-Benefit Organisations and establishes a Fourth Sector that uses Impact Investing.

Contemporary PPP Models

New PPP models are emerging that update PPP to fit with today's financial realities and expand its capability to effectively deliver complex and landmark programs. It is useful to remember that we developed the traditional PPP in a very different world where PPP consortiums were willing to take full construction and demand risks, promoters were able to extract high fees and windfall profits, governments were not faced with large refinancing and renegotiation risks, and there was no pressure to include community services obligations in contracts.

The traditional PPP model has largely been abandoned in countries such as Australia and the UK for large, complex, and landmark projects. This has been driven by: governments moving their PPP focus away from simple and smaller projects to larger landmark programs and more complex projects; investors seeking greater efficiency in transaction management and whole of life asset management; investors being unwilling to take demand risk; investors and operators taking the lead in consortium; the collapse of monoline insurance; government tiring of unacceptably high levels of contract renegotiation; poor governance; and low levels of compliance with community service obligations.

Governments moving their PPP focus to larger landmark programs and more complex projects

Governments are moving their focus to strategic and landmark projects such as the AUD$20billion WestConnex that are seen as too risky by the private sector. Governments are using the Flexible Bid Model combined with asset recycling to develop these landmark programs with the government taking the SPV management role and unbundling the program into separate tenders. Once the projects are established government are then putting them to the market through asset recycling.

With complex projects such as the Sydney Northern Beaches full service hospitals, PPP projects combine government delivery of public health services, private delivery of health services, and shared facilities. The PPP consortiums on the complex health projects are led by the hospital operator, not banks. In many projects, the government provides a cash contribution and the land as a contribution towards development costs. In contrast to traditional PPP contracts that seek to restrict change, the new PPP contracts are designed to provide considerable flexibility in managing change over the project life cycle to avoid contract renegotiation.

Investors seeking greater efficiency in transaction management and whole of life asset management

Equity investors are seeking lower transaction costs, and owner input into the development of PPP projects. Equity investors are generally unwilling to accept the high cost of tendering in the traditional PPP model and the financial assessment process used by governments that favours debt against equity.

Australia is not unique in facing high bid costs, long procurement timeframes and the lack of long-term equity participation. In 2012, the UK Public Accounts Committee, commenting on UK Audit Office report: Equity investment in private financed projects, stated:

> *"The PFI procurement process takes too long, costs too much and restricts the market. The time and cost involved do not serve investors or taxpayers well. The scale of procurement costs constitutes a barrier to market entry for financial investors such as pension funds and smaller contractors. Successful bidders recover their procurement costs in the contract price, which means the taxpayer foots the bill."*

There is a global imperative to increase the level of private sector participation in infrastructure investment in fragile, developing and advanced economies. Public sector balance sheets are constrained and regulatory changes arising from the GFC has impacted on the capacity of short- term investors, such as banks, to undertake the task. The G20 has identified there is a need to develop concrete actions to facilitate involvement by long-term investor/ owners, such as superannuation and pension funds who have the capital to invest.

Investors, contractors, and operators being unwilling to take demand risk

Based on the many problems that have occurred in PPP projects internationally, finance, operators, and contractors are no longer willing to accept the risks that they were previously willing to accept. In today's mark et governments are expected to carry the risk for demand and refinancing, and in many projects, they are contributing to the capital cost.

Investors and operators taking the lead in consortiums

They are moving away from consortiums led by promoters, and are taking up direct leadership and control of consortiums. Industry Super Australia represents one of the largest equity investments group in the world and stated:

> *"The current PPP bid process produces a major misalignment of interests between the bid sponsors, who are short-term financiers and contractors and the equity investors they bring to the table. PPP bid syndicate leaders have been motivated by considerations other than the return to equity and the long-term success of a project. Investment banks acting as bid sponsors have been compensated significantly towards the front end of the project and, in the absence of competition, are able to collectively seek to extract outsized fees tied to winning and financing a bid – so called fee leakage – which is ultimately borne by government and tax - payers. In addition, construction companies generate their returns from project construction and have little or no exposure to the investment once operations commence".*

The collapse of monoline insurance

The collapse of monoline insurance removed the funding guarantees that supported consortium taking demand risk. With the collapse of monoline insurance and the large number of failure of PPP projects through overly optimistic demand forecasts, consortiums are generally no longer willing, or financially capable, of taking demand risk.

Government tiring of the unacceptably high level of contract re-negotiation

The World Bank in an unpublished report found that a very large proportion of PPP projects were having contract re-negotiations after two years. This reflects discussions that Dr Dombkins has had with finance ministers who are clearly concerned with the cost, risk, and probity concerns of having constant contract renegotiations.

Poor governance and low levels of compliance with community service obligations.

The Scottish Future Trust has been effective in highlighting the need for more effective SPV governance through including an Independent Public Interest Director and a Non-voting government observer on the SPV Board.

The current PPP model has a similar governance model to corporations with the SPV solely focused on returns to shareholders and does not include any contractual provisions to ensure that the projects remain aligned with the public interest. Governments are becoming increasingly aware of the need for both PPP projects and corporations to honour their social licence.

Operators taking over from consortiums

The scope of many PPP projects now includes infrastructure development, asset management, and full services delivery. This has resulted in operators taking over the leadership of consortiums, SPV management, and operation management from promoters and banks.

Equity Investors demanding early input into project financing, design, and asset management

Equity investors are demanding early input into the scope, business case, finance, design, and asset management and operational model. Equity investors are dissatisfied with the fees taken by banks and promoters and the lack of an owner's mindset in the development of the project.

Innovations in PPP

While the traditional PPP model may have relevance for simple and small projects, it has effectively been replaced by new forms of PPP for landmark infrastructure and complex projects:

- The Flexible Bid Model is led by investors, introduces a performance based contract for the SPV manager, and unbundles the PPP components
- The Australian Government Asset Recycling model
- Pooled projects - The UK Aggregator Model that bundles smaller PPP projects and separates finance from development
- Pooled projects and Funding Competitions
- Governance - The Scottish Futures Trust has introduced fundamental reforms that provide independent Directors on the SPV to focus on community services obligations and moved to stop short-term windfall profits
- The Public NGO Partnership (PNP) model to develop NGOs into For-Benefit Organisations (the Fourth Sector) that are financed through Impact Investing

Key issues with PPP in the GCC

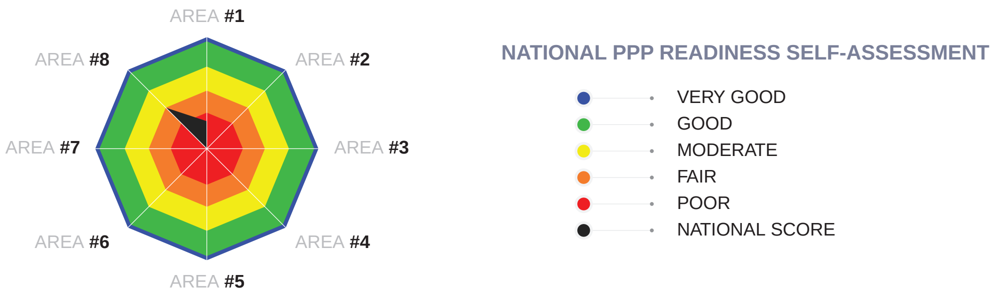
The GCC, as with many other regions, is looking to PPP to deliver both private finance and improvement in project and services delivery. The UAE Federal Government Public Private Partnership Provisions & Procedure Manual states:

> *"The global experiences have proved that the PPP contracts with the private sector result in raising the efficiency and effectiveness of performance, promoting the level and quality of services, reducing the cost, achieving optimum utilization of resources through innovation, enhancing competition, stimulating economy and assuring the interests of the society members"*

SUMMARY: NATIONAL PPP READINESS SELF-ASSESSMENT

COUNTRY	Middle East	DATE	10-Jul-1909
ASSESSOR	**Name:** Dr David dombkins		
	Position: Insert		
ASSESSMENT	0.472 Poor		

AREA OF NATIONAL PPP READINESS	SCORE	REMARKS
AREA #1 PUBLIC GOVERNANCE	0.70535714	Poor
AREA #2 POLICY	0.21666667	Poor
AREA #3 CAPACITY-BUILDING	0.22222222	Poor
AREA #4 LEGAL FRAMEWORK	0.44791667	Poor
AREA #5 WHOLE-OF-LIFE PROJECT DELIVERY	0	Poor
AREA #6 SUSTAINABLE DEVELOPMENT	0.33333333	Poor
AREA #7 PROJECT MANAGEMENT	0	Poor
AREA #8 FINANCE	1.85042735	Fair



While these are appropriate ambitions there are key constraints that limit the successful development of PPP in GCC. The key constraints are:

- Low levels of PPP Readiness – generally GCC countries have a low level of PPP readiness across seven of the eight areas. Countries such as Australia, UK, Canada have had almost thirty years developing their PPP capabilities and started with a strong legal and governance framework. Countries such as Singapore, Malaysia, and India have been able to fast track their development of PPP based on the legacy Common Law legal framework. While the ambition to establish a PPP market makes logical sense, it is comparable to countries trying to imitate Silicon Valley. While many countries have tried to establish their own version of Silicon Valley none have been successful. From my observations of PPP capability development over the past two decades, and especially in the last decade in working with the United Nations, its felt, that even optimistically it will take ten to twenty years for PPP GCC countries to achieve the PPP readiness score required by the traditional PPP model.

- Small Market Size – Equity investors are not especially interested in single projects. They prefer to establish a base in a country through linking with an established local corporation that has expertise in PPP. Apart from KSA, the market size with GCC countries is small and there are no local organisations that have the required PPP competences for international equity and operators to link with.

- Political Risk – Major equity investors and operators are focused in investment in OECD countries and have a watching brief on PPP in the GCC. In most cases they do not plan investment in the GCC in the foreseeable future. Their concerns with investment in the GCC has been made much worse by the number and scale of regional conflicts. If the GCC wants international equity investors and operators to invest, they will need to allay their concerns over the risk of doing business in GCC. For example, pension funds use a form of country risk assessment similar to Standard and Poors rating agency. The Board of the Pension funds will not even consider a project in a country that does not pass their risk of doing business assessment.

- Outdated PPP models – Observations and analysis of GCC PPP Laws and PPP Manuals, they are re-drafts of the Laws and Models of advanced PPP countries from ten plus years ago. It is also important to remember that most countries with advanced PPP capabilities are Common Law Countries with no PPP law. The GCC does not have anything like the same risk profile for doing business as do UK, Canada, Germany, France, or Australia. For PPP to be effective in the GCC the PPP Model needs to be adapted to deal with the very different risks of doing business in GCC.

- Risk Dumping Mindset – Prevailing experience with PPP projects in the GCC is that these countries have two fundamentally wrong perceptions about PPP:

    - That investors and contractors will accept risk dumping. When GCC countries have tried to impose high levels of risk on consortiums, the result has been a rapid escalation in contract price that has led to the projects being cancelled.

    - Offering second rate projects to the market. The international PPP market is mature and will not participate in attempts to palm off second rate high risk projects, while the countries keep the best financially viable projects for themselves.

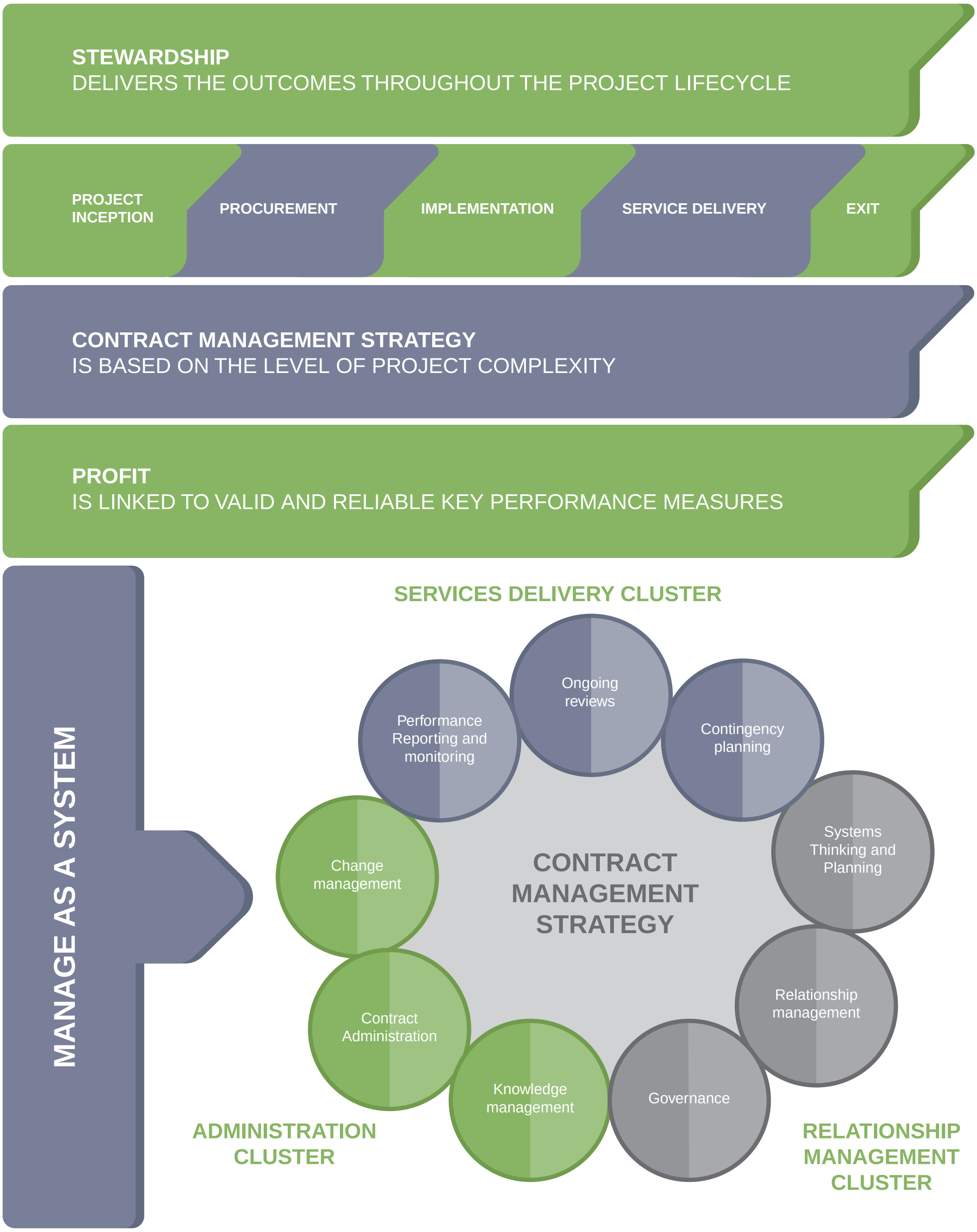
- Reliance on consultants – As a general rule GCC countries have not been willing to develop their own local competences in PPP. The preferred approach is to employ consultants. This strategy will not work. Investors and operators know that the tenure of the consultants is short-term and that over the twenty plus years life cycle of the PPP project that they will have to deal with a client lacking in PPP competences and maturity.

China has established a UN PPP Specialist Centre for its One Belt One Road Program. The UAE needs to establish a similar Specialist Centre to develop local expertise in PPP and to contextualise PPP Models for the local market.

- PPP Laws – Unfortunately, the PPP laws being enacted in GCC are often based on traditional PPP models. The UN has found that in many countries these PPP Laws do not promote PPP and in fact hinder it. The United Nations Commission for International Trade Law (UNCITRAL) is current reviewing its PPP Guides. The UAE needs to join the UNCITRAL PPP team to learn from other countries about their PPP laws and to use the new UNCITRAL PPP guide in reviewing its PPP Laws and PPP Guides.

- Low competences in Project Management – GCC has a very significant shortage of local competences in Project Management. There is currently no Professional PPP Association in the UAE, and no requirement for project managers to be certified. A key feature of countries with successful PPP markets is professional Project Management. The UAE needs to establish courses and accreditation in Project Management, and requirement that all project managers on government projects are to be certified and registered with a Project Management Association.

- Low competences in PPP Contract Management – PPP projects extend over twenty plus years. One of the greatest risks on PPP projects is the ongoing PPP contract management. The development of the PPP contract management model and processes should be concurrent with the development of the PPP scope and its contracting.



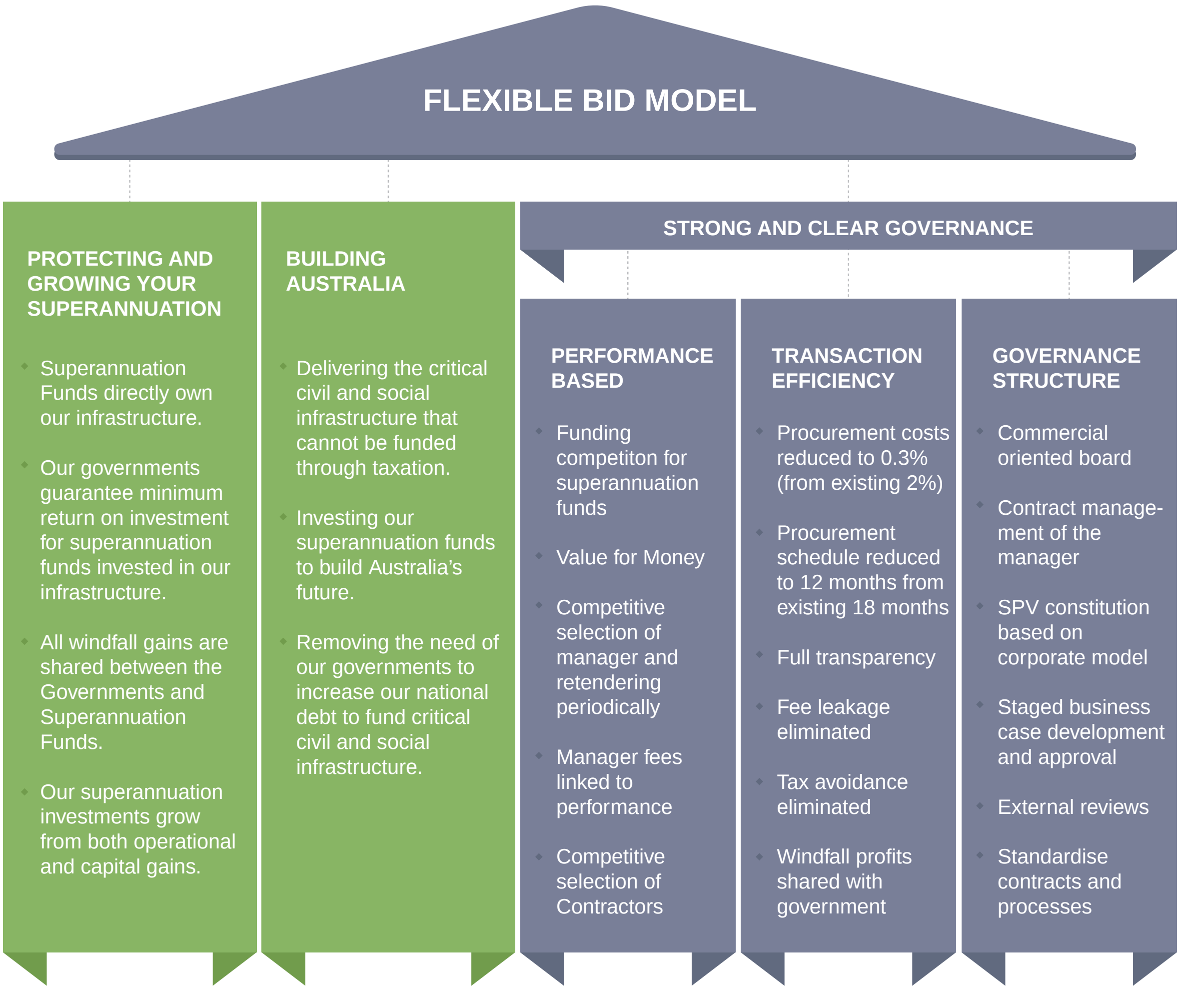
From a contractor's perspective the GCC countries are high risk in regard to contract management culture, processes, and competences.

The United Nations has developed a PPP Contract Management Manual that provides guidance on the development and operation of an effective PPP contract management system.

Innovative PPP Models

Flexible Bid Model and Asset Recycling

The Flexible Bid Model was initially developed specifically for large equity investors. While this still remains relevant, governments are now using the Flexible Bid Model to develop large and complex landmark infrastructure programs and linking the Flexible Bid Model with Asset Recycling.



The Flexible Bid Model and Asset Recycling are recommended by G20/OECD in their Report on *Effective Approaches to Support Implementation of the G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors.*

The key aspects of the Flexible Bid Model are:

- Unbundling the component parts and separately tendering them
- Reducing the PPP tender schedule
- Reducing the PPP tendering and transaction costs
- Incorporating a three-stage business case and Gateway Reviews
- Reducing the risk of inappropriate projects going ahead
- Enabling demand risk to be progressively transferred to the SPV
- Contracting the SPV manager on a set-term performance based contract
- Enabling early equity / contractor / operator input
- Improving value-for-money and asset management outcomes
- Driving ongoing performance and innovation
- Providing high levels of transparency and accountability
- Incorporating WAVE planning to remove change and renegotiation risk
- Including community services obligations into the project

The Flexible Bid Model was recommended by Angel Gurría, OECD Secretary-General at the G-20 Finance Ministers and Central Banks Governors' Meeting.

Asset Recycling flows on from development of a project using the Flexible Bid Model. Asset Recycling (or Capital Recycling) is the sale of underperforming or surplus assets to return the capital to invest in new assets or revitalise existing assets.

Governments are increasingly looking to asset recycling as a means of alleviating budget pressure and delivering new infrastructure and services. Since 2012, asset recycling has been one of the core principles of the NSW Government's property policy. Australian industry superannuation fund managers, with more than $80 billion in assets, are actively participating and winning Asset Recycling projects.

The Trump administration has expressed interest in how Australia's "asset recycling" scheme has helped drive major infrastructure projects in NSW.

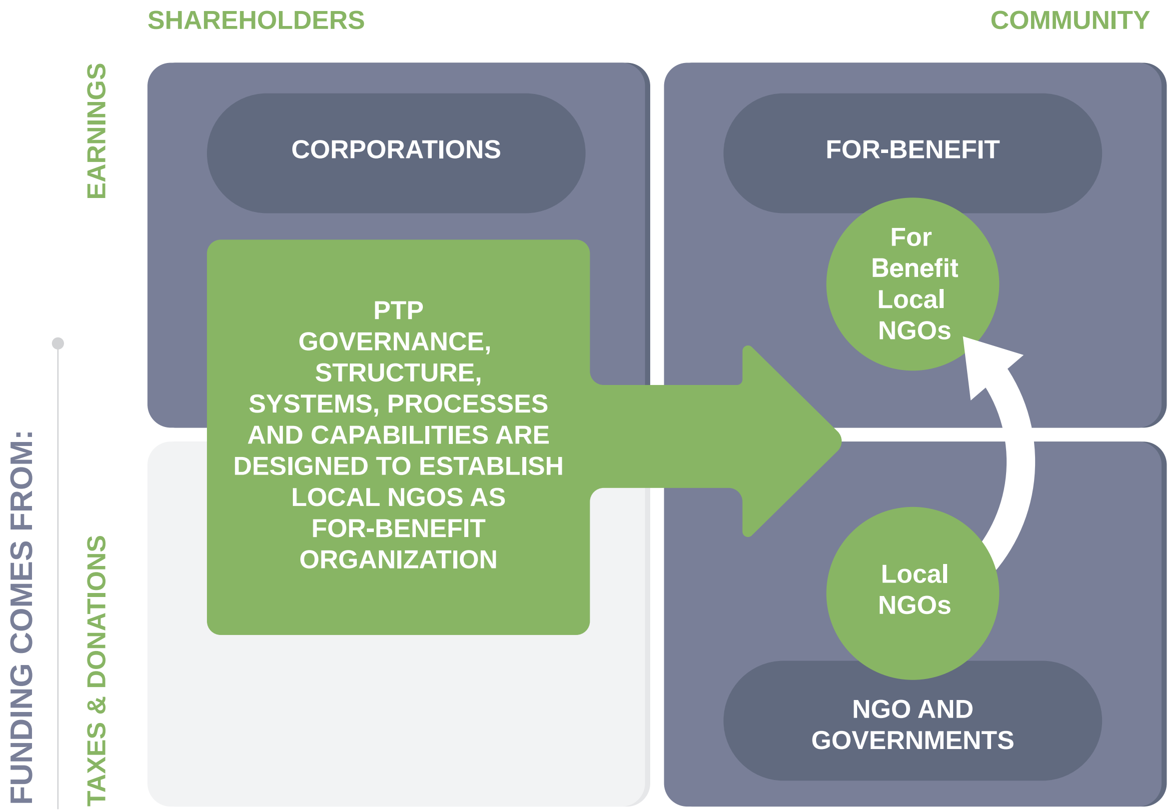
Public NGO Partnerships (PNP)

The Public NGO Partnership model provides an opportunity for NGOs to transform themselves into For-Benefit organisations (the Fourth Sector) to take advantage of Impact Investing.

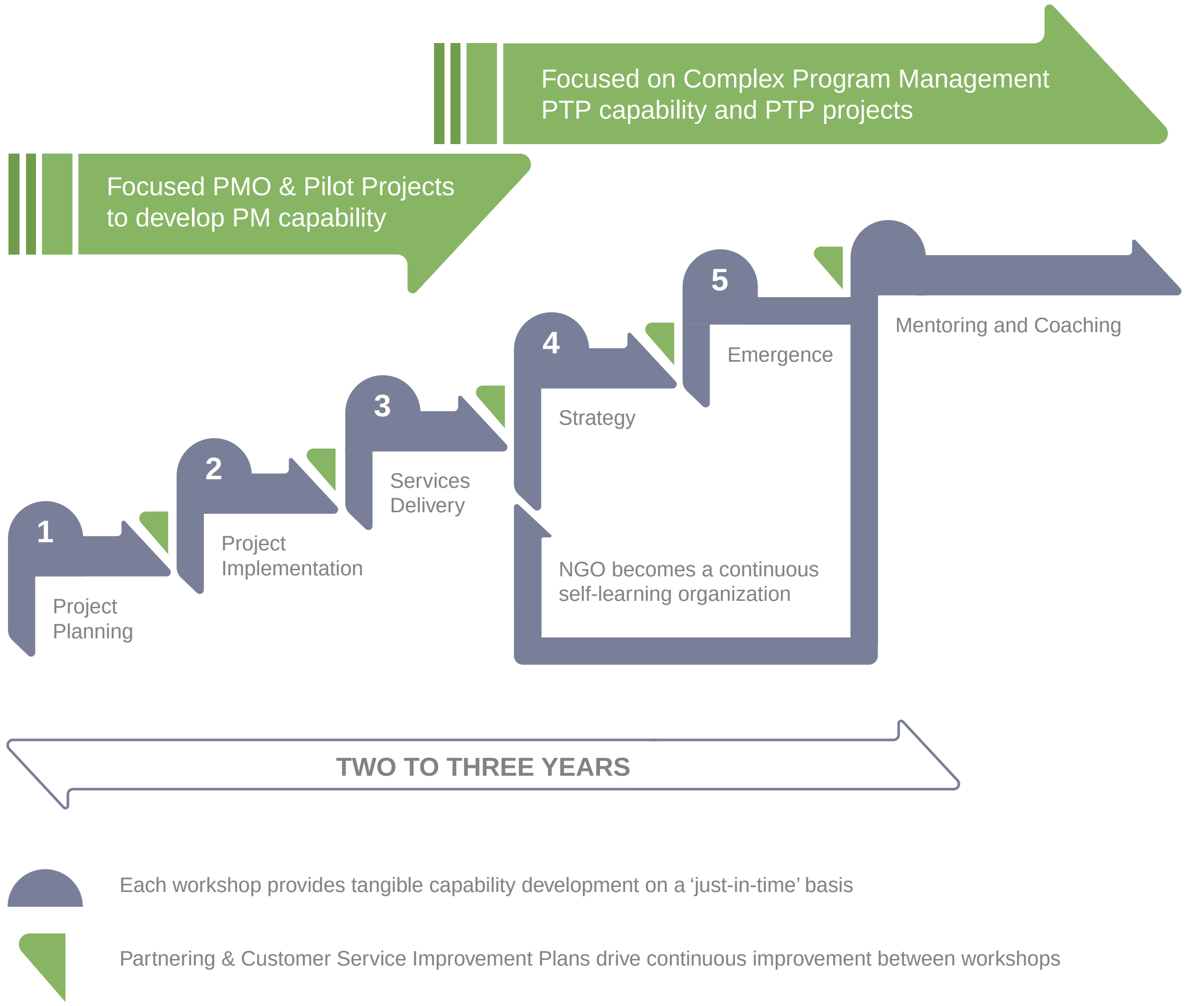
The Fourth Sector includes Multi-Lateral organisations, Multi-National, National, and Local NGOs. Local NGOs understand and respect their local communities, and through PNP deliver real power to the local communities in self-determination and economic development.

PNP uses the Taqaddum process to build capability in local NGOs, to develop social infrastructure, and to deliver focused value-for-money and fit-for-purpose services to communities.

PURPOSE TO MAXIMISE BENEFIT TO:



TAQADDUM PROCESS



PNP embraces the strategy of building capability in local communities through Partnerships. The PNP model incorporates the Partnering Process and a strategy to incorporate local community capability development as a core part of all services and infrastructure projects.

The PNP model has application in GCC countries to: deliver social services, health, and education; and to focus on harnessing Impact Investing for sustainable projects.

Recommendations

1. Use the Taqaddum process to develop a cohort of local experts in contemporary PPP, and stop relying on external consultants

2. Join the UNCITRAL PPP expert team

3. Establish a United Nations PPP Specialist Centre

4. Use the Taqaddum process to develop a local version of PPP called Sharakah, including reviewing PPP laws and Procedures Manuals

5. Focus in satisfying international equity investors and operators concerns over the risk of doing business

6. Major PPP projects must be run through the Ministry of Finance and not by line ministries

7. If PPP projects are to be run through government owned enterprises, guarantees need to be backed by the central government

8. Establish a local Project Management Association aligned to the International Project Management Association (IPMA)

9. Establish under-graduate and post-graduate courses in project management

10. Require all project managers to be certified

11. Introduce the Flexible Bid Model and Asset Recycling for complex and landmark PPP projects

12. Separate PPP projects from the existing Procurement Laws and introduce Interactive Tendering

13. Introduce Partnering and Alliance Contracting into the market to build core competences in local contractors

14. Include PPP Contract management into PPP Manuals and develop PPP contract management system concurrent with project scoping and tendering

15. Introduce Public-NGO-Partnerships to establish the Fourth Sector and to take advantage of Impact Investing.

Discussions at the UAE public Policy Forum.

There were 6 moderated round table discussions at the Public Policy Forum this year. The breadth and depth of the experience represented on each panel resulted in fruitful discussions about PPPs that were replete with recommendations and examples to which the UAE and the wider region could relate, as the local PPP models are developed and contracts are negotiated. This section of the proceedings will summarize each round table discussion.

Round Table Discussion 1: Benchmarking for public private partnerships from the UK experience

It is now widely accepted that governments can only keep pace with satisfying the population's demand for social services, by engaging private sector involvement in infrastructure development, management of services and delivery of goods. In the Middle East, this has come sharply into focus since the reduction in oil price in 2014 to what we now call the new normal. In the first round table discussion, the panelist discussed *Benchmarking for public private partnerships from the UK experience*. The session was ably moderated by **Chris Seymour**, a Managing Director at Mott MacDonald Middle East. His expertise on PPP was developed over the years he spent providing commercial and technical advice to clients on strategy and risk in large scale PFI and PPP procurement projects in both the UK and the Middle East. With him on the panel to discuss what were the key lessons that learned from the extensive experiences in the UK and how these can be applied to the Middle East Regional market were: **Lord Francis Maude**, Former UK Minister of State for Trade and Investment; **Kate Orviss**, a legal partner at Pinsent and Masons, an international law firm; **Shaun Johnson**, legal counsel for ACWA Holdings in Saudi Arabia; **Helen Selden**, Head of Operations Development at the UK's National Foundation for Educational Research (NFER) and **Roderic Gillespie**, Director of Assessment at Cambridge International Examination

The session explored the following questions in general as thy related to PPPS but specific examples were given from the education and Health sectors.

How do governments determine the best pathway for public private partnerships that promote development?

In the early stages of UK government partnerships with the private sector the contract agreements were known as Private Fund Investment (PFI) and according to Lord Maude who was the minister of State for Trade and Investment in the 1990's, the government was focusing on Value for Money (VfM), unleashing innovation and delivering efficiency to the public. The

UK saved up to £50 Billion from the cost of running the government through partnerships with the private sector.

What model of PPP best meets the needs in various sectors?

There are several types of public-private partnerships. They depend on the needs, the options available, and the size of the project being considered. Traditionally, infrastructure, transport and utility projects appeared to be best suited to public-private partnerships but in the in recent years this has evolved into more hybrid types of PPPS that are related to soft services. PPP models are contextually determined and must be set up with deliberate specifications that allow innovation and efficiency in procurement and management of the asset or service. They should not just be based only on VfM but also on outcomes. The model that worked in the UK will not necessarily work without context and sector specific adaptation. Additionally the UK model of PPP evolved over the past three decades based on the evaluation of the effectiveness of the partnership in meeting the strategic objectives of the government, the funding structures and the private sector interest.

In some asset classes in the Aviation sector, the BTO-Build Transfer and Operate model the private partner builds and transfers the project to the corresponding public partner. The government retains ownership but leases operation of the facility to the private sector under a long-term lease agreement. The risk is shared between the partners in this contract. In the aviation sector this model of PPP is commonly witnessed. In some sectors like education, PPPs are not just related to procurement of hard assets but to provision of soft services and expertise in standards improvement, data collection and analysis, independent research to inform policy reform and curriculum development. Organizations like Cambridge International Examination and NFER are examples of the private partner in these provisions.

There are also BOO-Build Own and Operate examples in education sector where the objective of the government was to improve standards and parental choice. The private sector builds, owns and operates the educational institutions across the full spectrum of education, including vocational institutions, and has control over profits and losses generated by the facility through time. This is similar to a privatization process. In this model the risk is solely absorbed by the private partners

The UK has also tried to develop PPPs for existing estate that require enhancement through the Maintenance and operate model in which the private entity of the partnership operates and maintains installation of the project, while the public agency acts as the owner of the project. This is far less attractive to the private partner as Kate Orviss pointed that the private sector is usually cautious about investing in existing estate assets, as they do not have enough information about the quality of the original build. Lord Maude concurred as he explained that some governments are notably inefficient at collecting and keeping data about their assets, thus making the maintain and operate model of PPP less successful. In all cases when the government is seeking to mobilize private capital, the projects must be attractive to the funders but must also have the desired outcomes for the public sector.

How does the UK design PPPs to make them adaptable in various context and over the lifetime of the project?

A major ongoing political debate in the UK surrounding the use of PPPs in the healthcare sector is whether or not government should retain control of clinical services through the National Health Service (NHS) but outsourced management of facilities and other core functions that improve the management and services delivered to the public. In Turkey, this debate has been settled because the government saw it as important to retain control of clinical services but to outsource all other healthcare services. None of this happened overnight, as there were legislative, organizational and administrative barriers that had to be tackled to make the contracts attractive to the private sector. A further hurdle in the context of the UK was to ensure that PPPS were not seen as benefitting just the private sector. To overcome this latter obstacle the government in the 1990's maintains "carried interest" allowing them to benefit from any profits made by the private sector.

The issue of accountability is also a major factor to consider in designing PPPS. Partners must clarify at the outset what are the objectives of the partnership, what are the expected outcomes, the anticipated timelines and how success will be measured. This factor is crucial because of the multidimensional and complex nature of the contracts and projects. Also, the public sector is known to change directions on projects because of political climate so the private sector partner must ensure a high level of accountability for this risk.

What are the most common mistakes in PPP project financial structuring?

Many nations turn to PPP when the government is cash strapped, seeking to diversify its economy or when they want to innovate at a rapid pace. Over time some PPPS in the UK have increased the procurement of assets, reduced the time and cost of the procurement, and removed the bureaucracy from the process. PPPs ensure continued service provision despite problems that may arise in the contract. In January 2018, Carillion, a major PPP contractor in the UK health sector went into liquidation. There were major criticism that this contractor made obscene profits, but a positive outcome of the partnerships was the rapid uptake of innovation in the healthcare sector that would have been more challenge if undertaken by the public sector.

Many entities set up special purpose vehicle to handle PPPs, which is usually an effective operational mechanism. Special purpose vehicle operates as a secondary entity for the larger parent organizations and is normally used to finance new operations at favorable terms. “The SPV can raise capital without carrying the debt or other liabilities of the parent organization even though the subsidiary is often operated by the same individuals and serves purposes that benefit the parent organization” (https://www.investopedia.com). The SPVs then subcontract the aspects of the project to other entities. It is in the best interest of all partners to ensure that there are no cost or time overruns. When PPPs are set up using SPVs the private sector usually operates the asset, so it is in their interest as well to ensure on time completion.

One common mistake in PPPs is the absence of negotiation expertise, contract management or commercial specialists within the government. Consequently, the public sector is locked into bad deals with the private sector and they still have to honor the contract. Conversely sometimes the government entity changes its direction and this affects the project delivery time and cost.

What lessons can be drawn from the UK and other countries with more advanced PPP programs

1. A key principle of PPP is risk transfer. Risk should be borne by the party who is best positioned to absorb them.

2. Many PPP contracts are bogged down with complex contracts. It has been found that contract should be clarified and simplified to optimize outcomes.

3. PPPs have evolved over time and each contract should be determined based on the sector and the goals.

4. In the education sector PPPs lend themselves to hybrid models which allow the private partners to deliver specialist support, language development, vocational training as well as asset development and management.

5. Government partners need to develop competence in contract negotiation and management, data collection about existing assets and negotiation.

6. Choose PPP based on required outcome. The UK has had negative examples where PFI contracts delivered faulty infrastructure assets as part of the Future School program. The government who owned the assets had to subsequently re-purpose these buildings as part of their risk mitigation.

Recommendations

1. Regionalize the PPP model that is adopted to suit the desired outcome.

2. Undertake pilot programs which incorporates best practice in a test environment before launching large scale PPP projects.

3. Start with small programs and then move on to more complex projects.

4. Outline clearly the outcomes and expectations for all partners, even subcontractors. Be clear about what you would like the citizens to experience in the service or asset that is involved.

5. Conduct ongoing evaluation and data gathering to inform change and refine the PP model that is being used.

6. Explain how success of the contract will be measured.

Round Table Discussion 2: Are PPPs a catalyst for reforms of commercialization of public services.

In the second round table discussion the panelists examine the pros and cons of PPPs and also if this model of economic development was a catalyst for reform or just a way to commercialize public services. The session was moderated by Dr. **Senthil Nathan**, the Managing Director and Co-founder of Edu Alliance Ltd. On the panel were **Muneer Ferozie,** Regional Manager and Head, MENA Region IFC - PPPs and Privatization Financial Advisory,**Stephen Knight,** PPP Legal specialist, Allen and Overy Law Firm,**Dr Alawi A. Alsheikh-Ali**, Dean, College of Medicine, Mohammed Bin Rashid University of Medicine and Health Sciences, **Mr. Eyad Al Kourdi,** General Manager for Mastercard Southenr Gulf region and **Dr. Clara Morgan** Assistant Professor of Political Science, UAE University.

At the outset of this discussion, that panelists sought to define what PPPs were and the working definition that emerged was that it was any partnership between the public and private sector that would deliver a public service through the resources of private sector partner/s. These partnership arrangements could exist in the form of PPP Lite model where the service/infrastructure is operated and managed by the private partner to the Build, Operate and Transfer (BOT) model where the public partner ultimately takes possession of the asset after a long term contract for 25 to 30 years. Dr. Alawi posited the idea that we should expand our idea of the players in the PPP partnerships as it could be two public sector entities or two private sector entities forming the partnership to deliver the service. From a legal perspective, Mr. Knight made the distinction between privatization, outsourcing and true PPP contracts which often involved the private partners assuming the risk until the asset is build and delivered to the government. The public sector pays nothing until the infrastructure is delivered. This incentivizes the private partner to deliver projects on time and on budget.

In the UAE there are many examples in the health sector of various models of PPPs that have been negotiated with the contextual nuance. Cleveland Clinic in Abu Dhabi is a PPP in which the government procured the infrastructure asset but the public service of healthcare is solely delivered by the private sector entity. In this case the operating risk rests with the Private partners.

PPPs have opened up a fiscal space in which private investors can participate, signaling a transparency of the process to the international market, better cost for the services being delivered to the public, opportunities for innovation, equity and efficiency. The Madina airport in KSA was an example of this where through PPP procurement the airport was built and delivered on time and on cost, while a similar airport development project in another part of KSA stalled under the traditional inefficiency of public sector procurement model. It is important to note that PPPs are not done in 6 months, but require due diligence, a good team of advisors, adequate funding and trust from all parties involved. This is necessary because of the long-term contingent liability that is in involved in infrastructure projects that are developed using PPPs.

Dr. Morgan pointed out that in education, PPPs have created parental choice in the UAE but have resulted in a loss of equitable choice of education provision, as private school fees are traditionally higher than public schools. However, if the schools that have been built and operated by the private sector should attempt to cut cost , it is possible that the quality of teachers and the service would be impacted in a negative manner. She advocated balancing transparency, accountability with affordability as a regional model of PPP that could be explored in the education sector.

“Public Private Partnerships should be about complementarity” (Al, Kourdi, 2018).In the UAE the public sector finds the practices of the private sector innovative and attractive and so must encourage the knowledge exchange from the private to the public sector. The onus is on the government to make private partners welcome so that the public sector can develop and benefit. The private sector for their part should not just see the partnership as financial opportunity but as a way to build the economy since in a healthy economic environment all partners have a better opportunity to flourish.

There are two primary considerations that the government usually looks for when establishing a PPP contract:

1. Affordability
2. Value for Money.

Given the subjective nature of both variables all parties must clearly establish what they are seeking from the partnership. This can be done by establishing a clear framework for engagement, stipulating levels of alignment among partners in terms of values and interest, the level of benefit for each partner and the flexibility to evaluate and realign conditions based on changes in the environment. Value for money analysis should take into account opportunity cost, overheads, risk management and transfer cost. Value should be delivered in a synergistic way for both the public and the private partner.

Government partners are often more interested in how to retain control in the PPP arrangement and they lose sight of the potential value proposition of the partnership. To avoid this perception, robust advising about incentive alignment and risk allocation and is required during the negotiation stages.

Recommendations

Ultimately, PPPs are not a panacea for everything. They can create jobs, facilitate first tier knowledge transfer to the public sector and fast track procurement and innovation, but they require careful consideration about the particular projects that are best suited for the long term partnerships and the associated risks.

1. PPPs are sector specific and from the opinion of 89% of the audience, seem to be best suited for complex infrastructure procurement.
2. The broader policy objectives of the country should also be brought into the negotiation of PPPs as there might be unintended consequences from this model of development. There should be no binary positions in PPP negotiations.
3. PPPs require a mindset change among government entities from being providers to being regulators and from building assets (input) to providing outputs.
4. The gold plating of certain assets should be avoided and proper procurement analysis using PPP be undertaken for maximum value, equity and efficiency for partners and the end users.

Round Table Discussion 3: Building the nations brand through PPP

Panelists included **HE Said Sultan al Mansoori**, UAE Minister of Economy, **HE Abdulrahman Al Saleh**, Director General of the Dubai Department of Finance, **Mr. Abdul Mohsin Ibrahim**, Executive Director of the Rail agency and head of the supreme investment committee in RTA. The session was moderated by **Dr. Ali Sebaa Al Marri**, MBRSG Executive President. In his introduction, Dr. Al Marri said that PPPs aimed to transform government work, moving away from operating infrastructure and public services and focusing more in elaborating policies and strategies for basic infrastructures, as well as monitoring and fostering service providers. This can be achieved building on the management, technical competences and financing capabilities of the sector, and risk-sharing. He further indicated that the PPP is among the most important pillars of the Government of the Future, quoting HH Sheikh Mohammed bin Rashid al Maktoum during the launch of the Government of the Future in 2016. HH said, “in the new cabinet, ministers will play a more strategic and regulatory role, and we will have a road map to outsource most government services to the private sector”. HE Sultan al Mansoori reiterated the importance of PPPs in providing the best services to nationals and expatriates. Indeed, the success of governments is generally measured by the satisfaction of citizens, which is dependent on undertaking major projects, as well as providing excellent services and infrastructure. The UAE has passed the foundation phase where government undertakes the design, finance, construction, management and maintenance of projects down to the smallest detail. It is now at the next stage, which witnesses a change in the nature of management used in modern projects, where PPPs are of primary importance. Panelists explained that there are many approaches of full management and privatization but a true partnership between the private and public sectors is achieved when private funds are invested in public projects. They emphasized that government sectors were vital and strategic, where the engagement of the private sector is still frowned upon. However, there are other vital sectors in which the government is seeking a partnership with the private sector. These require a great deal of innovation in line with best international practices. Case in point being the transport sector. The economy of any country cannot be run solely through government, it can be managed efficiently through partnerships with the private sector. Panelists agreed that cutting the government budget was the primary goal of PPPs, as well as effectively developing business, increasing productivity and transferring knowledge. However, the main challenge before these PPPs remains the legal nature of the relation, especially in the absence of a federal law to govern them. It's imperative to strike a balance between government development goals and private sector profit seeking. Furthermore, feasibility studies must focus on the financial as well as the economic aspects.

Round Table Discussion 4: Leveraging PPPs to advance Sustainable Development Goals

The panelists **were Rafai El Khadem**, Head of Government and Alliances for the Middle East and North Africa region LinkedIn, **Ivano Iannelli**, CEO, Dubai Carbon Centre for Excellence, **Dima Maaytah**, Founder and Managing Partner Sustainable Mindz, **Dr. Ziad Sayegh**, General Coordinator of Lebanon's Better Initiative, Lebanon. The moderator was Hafed Al Ghwell, Senior Advisor, Maxwell Stamp.

As the context for using PPPs to develop complex infrastructure and procurement projects increase in the region, there is a palpable need to ensure that these are not done at the expense of national and global Sustainable Development Goals (SDGs) targets. The 2030 goals involve all countries to participate in sustainable development practices in order to make our planet habitable for future generations. The cost of meeting these goals is US$4Trillion, 4% of global GDP. Public sector expenditure alone is not sufficient to generate this amount, especially in countries that are now diversifying away from fossil fuel in an economy of lower oil prices, so there is now a prime opportunity for the private sector to be brought in as partners who can leverage PPPs to help countries achieve SDGs, while at the same time generating revenue.

The UAE is a case study of this. Through its $1Billion green fund, the UAE has incentivized the green economy by encouraging private companies to access these resources while helping the country to innovate and use technology to attain its SDG target. Additionally for three consecutive years, the Dubai Water and Electricity Authority (DEWA) through their partnership in research and development with the private sector, has been able to offer electricity at tariffs as low at 0.24cents allowing equitable access to all residents and companies across the supply chain, along with a high standard of living compared to other Middle Eastern countries.

By engaging private partners who are not impeded by the "principled agent paradox", the government is able to accelerate attainment of growth while meeting SDG targets. This is because private sector entities do not operate in a highly political environment so they can efficiently make required changes for the good of the environment. While the cost of loans to the private sector is higher, in a partnership with the government this can be adjusted but at the same time improving the value of that money because of the efficiencies and innovations that the private sector brings into projects. However, all of this requires an environment of good governance model and strong regulations to ensure that there is no abuse of the public sector in order to gain profits for the private sector.

PPPs force stakeholder to reconsider the framework for national governance, as they are a mechanism that can link business models with social justice. According to Dr. Sayegh, this new paradigm brings into the public private partnership dialogue the consideration of a fourth P which is the *people.* All partnerships should be centered on the value it will add to the people. This is clearly laid out in all the SDGs which are citizen focused. A poll of the participants indicated that 79% of respondents felt that the voice of the citizen was an important part iof the mix in order to get PPPs right

Connecting people with the public service that is being procured through private partnership is the full purview of the government and must be presented as a key success factor in any PPP negotiation. PPPS are redefining the social roles of the public and private sector but also the people in terms of decision making, policy determination and problem solving using creative strategies. In the UAE, there is a national committee that is tasked with reviewing all policies and aligning them with the SDGS by 2030. The decision making is data driven and evidenced based but unless this is communicated to the private sector and measures put in place to ensure that economic activities do not jeopardize the UAE meetings its targets, the work of the national committee could be thwarted. So, the role of communication among all stakeholders about SDGs, vis a vis national development is essential.

Governments should design a distinctive and strategic communication mechanism to share information with the public about their policy directions. Public relations campaigns are usually good political tool to win votes but not to communicate policy

The enabling role of technology as a mechanism for communication of National goals related to SDGs and development cannot be overstated. Companies like LinkedIn in the UAE are working closely with the government to assist them in planning for governance in the future. The UAE is a receptive operating environment to the data that is being generated by LinkedIn about disruptive technologies and the impact on employment behavior and job trends. Sometimes however government can be overly prescriptive in how they want to solve problems, thus negating the innovative role that technology can present as a solution. If allowed to, the private sector can leverage technology and innovation to close some of the SDG gaps such as creating employment, gender equality, access to education through online learning and provision of healthcare through information channels into remote places, just to name a few examples. Companies like LinkedIn mediate their contribution to the public private partnership arena through their mission statement which is “to connect people, making them more productive and successful by creating economic opportunities, using LinkedIn as an enabling platform” (El Khadem, 2018).

Technology has disrupted the status quo and social media is now decentralizing the role of government and their private partners, allowing the people to have a voice in holding each entity accountable for their actions and initiatives. This disruption to the status quo has presented challenges but ultimately is the way of the future. PPPs are a methodological tool for change that has forced a dynamic review of best practice in many societies. The Beltway of information is ever increasing and the voice of the people is increasingly shaping policy decisions. Among all the good examples in the UAE of how PPPs are being used to leverage SDGs through the use of technology, block chain is an emerging case study. In cascading the vision of the UAE leadership to make government efficient, distributed auditing is now being done through use of block chain technology, so at each stage of the process of providing service to the public performance can be tracked, isolated and improved (Ianelli, 2018) .

Private partners for PPP projects should be evaluated based on their ability to support SDGs through creation of green jobs, renewable energy production and reduction of CO_2 emissions. Their record of accomplishment on climate change should be considered at several points during the contract period to ensure that they are helping the country to be on target for 2030. Environmental impact valuation that determines the true cost of a procurement project should be employed to determine the real value of products based on not just production cost but also environmental impact because high natural resource dependency will bankrupt future generations through environmental shocks such as droughts, floods and other natural disasters.

In the UAE and Dubai, there are many examples so far, of how PPPs have been leveraged to advance economic and sustainable goals. Development of free zone areas such Media City and Internet City has accelerated made it attractive for technology companies to set up business in Dubai. Their presence and the work they do has been leveraged by the public sector to provide solutions and advance the Smart City goals. Entities such as Dubai Carbon Centre for Excellence was established in 2011 to assist the nation in transitioning to a low carbon and greener economy. In 2012, the UAE launched its green growth strategy to embed SDG in the national agenda 2021. The impact of these initiatives are already evident in the quality of life, creation of green jobs and mobility. Many of the projects to achieve the green targets have been undertaken in partnership with the private sector, which has definitely brought a paradigm shift in terms of outcomes and efficiency.

Public Private Partnerships (+ People) is a key pillar in the UAE which provides a new mindset and policy framework. If properly leveraged, it could enhance social cohesion stability and prosperity. The 2030 SDGs cannot be achieved by doing business as usual. They require large reallocation of financial resources and the private sector participation is critical for this. Sound government regulations, a stable and predictable business environment are all need to ensure that the partnerships between the private sector the government and the people , achieves the objectives that are beneficial toady and in the future.

Recommendations

- Clear and unambiguous communication of policies related PPPs to the people and the private sector is imperative.
- Use technology to include the people in monitoring and reporting about the PPPP projects are having an impact on them and in advancing SDGs.
- PPP projects should be evaluated based on a triple bottom line which includes the environmental cost pricing, not just on their ability to deliver VfM.
- Stability and transparency in the business environment is required to make UAE attractive to Private investors.
- SDGs should be embedded in PPP contracts and at the various reporting phases of the project lifecycle.

Round Table Discussion 5: PPPs- Who pays , Who Benefits?

The panelist were **Sheikha Shamma Bint Sultan bin Khalifa Al Nahyan** – Founder of Wanna Read, **Dr. Ayesha Abdulla** – Dean of Business School Higher Colleges of Technology, **Khalid Al Yahya** – Advisor on PPP in Saudi Arabia, **Marc Fook** – Project Director, UAE of Turner and

Townsend and **Brad Watson** – Ernst Young, Partner and leader of Infrastructure Advisory practice for MENA. This session was moderated by **Dr. Mark Batey**, a leadership, creativity and innovation specialist from Alliance Manchester Business School in the UK.

Public Private partnerships are a useful mechanism through which to advance a nations sustainable development goals if clarity on the long term impact, risk and rewards to the end user is established at each point of contract negotiations. PPPs accelerates innovation, service provision and infrastructure procurement through access to funding and expertise and can be used for the greater good in society if they are set up based on a win-win proposition which generates revenue for both partners but also provides service/access to assets to the public.

The issue of governance is one of the major risks associated with PPPs. Who manages the PPP project, who is responsible for satisfying the expectations of the partners involved and who does the public hold accountable? In the UAE, the PPP revolution was operationalized 30 years ago and has since spread to other countries like KSA as a preferred development tool. While PPPs have made their way into the economic discourse among stakeholders, there are still many lessons to be learned to ensure benefit for all parties. PPPs have to be localized to meets the sector specific needs and fit within the strategic plans of the government. Further, each country should access their own readiness to enter into long-term PP contracts based on technological, social and economic factors. Technological factors are often neglected, but they play a significant role. If the PPP contracts are negotiated based on existing technology, they can become obsolete in a matter of month from the negotiation to the delivery of the project and even for the long term life of the contract. Therefore PPP contract negotiators need to ensure ongoing benefit to the end user of the PPP service through a flexible model, where there is space to upgrade the technology making the best options available for the public.

PPPs can work in some context, not all. Risk allocation to the party that can best assume it is a key success factor. It most cases however, the government parties are seeking to divest themselves of the risk, thus passing it in to the private partner. This causes deadlock in negotiations. These types of disputes in PPPs should be resolved without delay to ensure the longevity of the service that is being delivered or the asset that is being operated for the 25 to 30 years life of the PPP contract. In general, the risks associated with PPPs are outweighed by the benefits but all parties have to clearly negotiate in good faith.

Success of the PPP contracts increase when both parties assume the right amount of responsibility and this does not have to be equal. It is known that the private sector enters PPP contract because of the potential to profit and grow their business to keep shareholders satisfied. This makes them keen on getting the rewards with the lowest risk. It is the end user to will ultimately pay for the service to ensure the profits so the government should ensure that contracts are negotiated to accommodate increase based on inflation and not the windfall profits that in the UK, USA and Canada have given PFI contract a bad reputation among the public. There must be transparency and flexibility about how subsequent profits are earned and distributed.

If the services provided by PPPs are subsidized by government, this further politicizes the negotiation, so there needs to be a high level of accountability from all parties to the end user. Subsidies should be determined based on the maturity of the market and other economic conditions but should never be used as a guarantee of profit for the private company. After all, there are other soft benefits such as CSR to the private partner besides money that should be considered of value to the shareholders. If as in the case of the UAE, the government is offering land and licenses to the private partner to develop and operate an infrastructure project, there must be checks and balance to avoid exploitation of the public sector through high service charges. There should be reasonable profits and reasonable rewards in provision of public services. If windfall profits are being made, the government needs to ensure that they can clawback some of these profits into the public sector for further development. This can be done under a mechanism known as "refinancing gain sharing" which was developed to ensure that the private sector is not the sole beneficiary to profits generated through PFI/PPP contracts but that the government gets in on the gains sometimes at a rate of up to 50%. At a policy level, when this is happening there should be mechanisms in place to account for this type of revenue stream into the government intake. The general sense from the public on this matter is that it is acceptable for government to profit from PPP contracts that are doing well. Eighty seven percent of the audience responded positively to this question during live voting.

Since PPPs contracts are usually long term for up to 30 years, there are significant implications for the partnerships between the private and public sector that endure over this period. PPPs obligate the public sector to ensure the provision of a public service over this extended period and beyond. It also allows the private sector to be involved in the provision and maintenance of the service to the public. Here it is the end users best interest that must be at the center of the negotiation. The negotiations must also have some adaptability and flexibility about how the service will look in 30 years' time.

PPS are sometimes regards in the region as a "meagre credit card" because future generations will pay for the spending done on infrastructure government for their predecessors. This makes it imperative to build sustainable outputs and maintenances clauses into PPP contracts with a future perspective in mind because citizens will hold the government responsible long after the private partner has delivered the asset. To ensure that they are entering into partnership with the right private company, the government must look at the triple bottom line of any candidate- economic, social and environmental record. The government seeking to undertake PPP contracts for mega project development should establish a dedicated division to prevent operating in silos when making decisions about private partnership selection. Dr. Guy Burton, from the Mohammed Bin Rashid School of Government, previously advocated the setting up of a PPP unit for the same reason.

Recommendations

1. PPPs are a mainstream public policy tool for economic development. However, they should be localized and not used in a "drag and drop" manner because each procurement project is complexed and must be addressed with required nuance.

2. PPPS are not useful for all infrastructure or procurement projects

3. End users who are paying for PPPs should be protected. Understanding volatility, inflation and future consumer behavior must form the basis of PPP negotiations, which are required to serve multiple generations.

4. Negotiators must be transparent about income generations and providing revenue streams for shareholders and the government.

5. Given the attendant risks and rewards, contracts should be awarded base on a triple bottom line to ensure sustainability of the asset, maintenance and uninterrupted service delivery. The values, actions and behaviors of all stakeholders must be transparent.

Round Table Discussion 6: Future Trends in PPPs in the MENA region

The final session was moderated by **Pr. Raed Awamleh**, MBRSG Dean and the panelists from across the region were, **Dr. Nasser Alqahtani**, Director General of the Arab Administration Development Organization (ARADO), Dr. **Rafaa Al Faoury**, Former Secretary General of the Yarmouk University, **Mohammed Bernawi,** Head of Planning and Development at the KSA Economic Cities Authority, and **Eng. Fahd al Hammad**, Executive President of the Saudi Tatweer Buildings Company. Discussions revolved around what future partnerships will look like and their impact on development in the MENA region. Panelists also touched on the required capacities and skills to ensure the success of regional partnerships. There was consensus among the panelists that PPPs were the best form of partnership, especially in light of the challenging experiences the Arab region has had with privatization. A cautionary note from this panel was that PPPs should not be generalized and the context of each project is an important element in determining the nature of the contracts, risks, benefits and the scope of the development. The main goal is for the region to benefit from international practices and experiences, and avoid starting from scratch with every model. Focus should be on improving efficiency in the private sector. At the end of the session, the audience was asked to vote on the expected impact of PPPs on the region. Results showed that 90% of respondents predicted a positive future for PPPs.

Featured Interview With Bassel Nahlaoui, Managing Director at Careem

Careem was founded in 2012, out of a desire to simplify life and reduce hassles faced by business people in the region. Mudassir Sheikha and Magnus Olsson decided to leave their jobs at a major advertising and marketing multinational to start a company they felt would move the whole region towards better living. Today, Careem is the leading ride-hailing app in MENA, Turkey, and Pakistan. Of the 46 tech unicorns that exist in the world mainly in North America and Europe, Careem has the distinction of being the MENA region's only tech unicorn.

What are the critical factors in operating a company like Careem?

Focus on local problems and adaptive solutions. Careem tries to use innovation that ensures solutions are localized. We do not adopt a one-size fits all approach. We have had to learn about the differences in each country and city that we operate in and find innovative solutions. For example, the region did not develop a transport infrastructure such as ones that exist in Europe or the US, so Careem came in as a facilitator to fill the gap in private transport needs. A second example of how we came up with adaptive solutions was in the area of payment methods. We tailored our payment to both cash and credit card options to make it flexible for all our customers.

What circumstances led to Careem partnering with the Roads and Transport Authority in Dubai?

From day 1 of operations in Dubai, the founders of Careem established a collaborative ethos in the company culture as they felt this added value to the company. In order to protect users of private ride sharing companies, RTA wanted to regulate the sector. Careem saw this as an opportunity to build trust with the RTA so we explored a partnership agreement in which we would add RTA taxis to our app in exchange for regulatory approval to operate in Dubai. As an innovative disruptor this accelerated the RTA's use of technology and their reach to customers and Careem is now a trusted private partner in the UAE.

How does Careem service their partnership with the government of Dubai?

We do this by understanding the vision and ambitions, in relation to innovation and technology, of our government partner. We then try to support this vision through our own research and development. Careem looks for common ground by spending time examining the needs of the public sector. We listen to the voice of the public and we are always improving our product based on the feedback to make our partners and customers more satisfied. For example, in Saudi Arabia, we partnered with the Ministry of Health to vaccinate children by transporting nurses to homes where children needed to be vaccinated. Parents simply had to select this option on the app and a car would be dispatched with a nurse.

What are some of the challenges you have had to deal with?

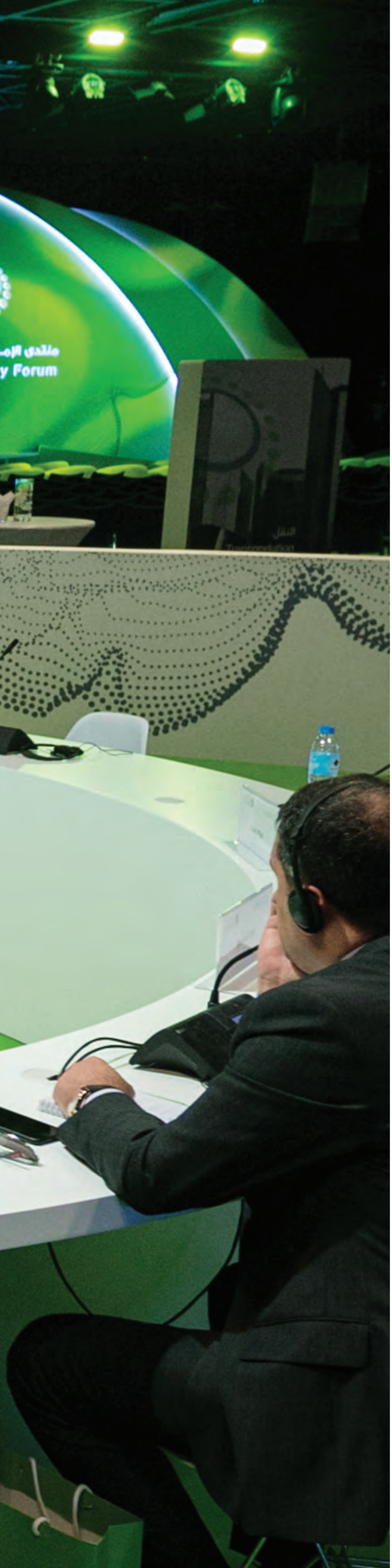
Entering a new market as a start up with a new product and way of doing business was the biggest challenge. We faced initial resistance from the public sector who either saw us as a threat to existing legacy services that they offered. While this resistance was not necessarily rational, it took time to demonstrate that we were not a threat. People were not familiar with app-based ride sharing so it took the public some time to become familiar with the technology.

The Middle East is not one market so each jurisdiction. This presented regulatory challenges that were different in each city. The regulations vary widely. The process in Dubai is very different from Abu Dhabi. This is an area for policy development as many startups are deterred from pursuing business across multiple cities because of this challenge. Standardizing the regulatory process would make the environment more stable and attractive.

What does the future hold for Careem?

The mission statement for Careem is to simplify the lives of people in the region, to build and maintain and exemplary homegrown innovative disruptor. Careem will continue to establish itself as a platform for SMEs in the region and redefine the ways of doing business. We are hoping to pull back some the regional talent that left for Silicon Valley because there were no companies that would harness their expertise in innovation and future thinking capacity.


SHAPING
THE FUTURE OF
PUBLIC PRIVATE
PARTNERSHIPS
مستقبل الشراكة
مع القطاع الخاص
UAE Public Policy Forum
Dr Scott Fargher



Featured Paper 2

Education Public Private Partnerships: What we should monitor? Dr Dahle Suggett

2017

Prepared for UAE Policy Forum 2018

Policy Councils at the UAE Public Policy Forum

There were 4 closed policy council sessions to which strategically selected members of industry, public sector , academics and the public were. These sessions gave invited participants an opportunity to speak with candour about the issues related to PPPs in their specific sector and from their critical perspective.

Thinking about Healthcare and policy with PPPs

When thinking about PPPs and healthcare there are the sufficient and long-term strategic healthcare plan needs to be formulated alongside the country's forward-looking initiatives to fill capacity and quality gaps. Studies have shown that there are shortages of healthcare professionals and concerns pertaining to accessibility and affordability of healthcare. These pressures will automatically translate to additional expenditures devoted to the sector. Subsequently, governments have sought the collaboration with the private sector, aiming to improve a number of indicators that have pushed down the quality of health care. This policy council addressed the following questions. How can PPPs be both sustainable and contribute towards the UAE healthcare? What is the nature of healthcare in both the means and ends of a PPP project? Largely, healthcare for PPPs has meant whether they are viable projects in their design and development, and whether they offer 'value for money'. Nevertheless, how can (and should) PPP projects move beyond these objectives, to also deliver results which are promoting good health and well-being through factors such as quality of care, access to care, cost of care and responsiveness?

Future Transport Scenarios for Dubai: Potential for Service Innovation through Public Private Partnership

As Dubai Expo 2020 approaches and the city of Dubai is set to welcome millions of visitors in the coming years, the policymakers at RTA and DEWA have been exploring alternative options to offer sustainable and efficient city transport system. Given this backdrop, the policy council examined if this evolving collaboration between RTA and DEWA their private sector partners will eventually lead to a classical PPP, and if so, in which form? The session explored if such a PPP model can stimulate the adoption of new technologies to ease traffic congestion in Dubai roads in a sustainable way. What is the likely impact of these future transport scenarios on employment, the quality of life and environmental sustainability? Are any specific policy and/or strategic planning adaptations/changes necessary to achieve the above future transport scenarios?

Exploring Sustainability and Sustainable Development with PPPs

In any deliberations about PPPs and sustainability or sustainable development there are at least two different trajectories: one whether PPPs are sustainable in themselves and two, whether they contribute to development goals which are sustainable. Of the two, arguably the former has received greater attention, although perhaps not using the terms put forward. Given the introduction of the recent PPP Law and guidance in Dubai, a key question is whether both these issues are sufficiently addressed and will be implemented. To address these issues the policy council raised the following questions: How can PPPs be both sustainable and contribute towards sustainable development? In other words, what is the nature of sustainability in both the means and ends of a PPP project? To a large extent, sustainability for PPPs has meant whether they are viable projects in their design and development, and whether they offer 'value for money'. But how can (and should) PPP projects move beyond these objectives, to also deliver results which are socially and environmentally valuable?

Policy Implications of the Fourth Industrial Revolution and PPPS

The massive digital transformation across societies, the growing maturity of the knowledge economy, and the advent of the "Fourth Industrial Revolution" are fueling new forms of innovations in public private partnerships. However, the rapid technological advancements associated with this transformation and the growing number of applications of Artificial Intelligence, Big Data, Block chain and the Internet of Things among others, are also creating new sets of challenges and dilemmas for policymakers and business leaders alike. The UAE enjoys one of the most *avant-garde* governments in terms of adopting cutting-edge and transformative digital applications, coupled with an open economic model that encourages solid and mutually beneficial partnerships between the public and private institutions. Given these digital-age realities, what are the existing policy dilemmas facing business leaders and policymakers today towards fostering new partnerships? What venues of partnership can be leveraged in the future? What policy responses are required to enable future innovations in technologies associated with the fourth industrial revolution? What societal, institutional, legal and ethical frameworks do we need to put in place to ensure PPPs continue to drive growth in our smart cities, in our governments, and across societies in the next decade? As a regional hub, can new models of PPP in the UAE drive sustainable development agenda around the region? These questions were addressed in this closed policy forum bringing together select business leaders and senior policymakers in the UAE.

Summary

Education public private partnerships have many forms and three diverse Australian partnerships illustrate the multilayered decision making and relationship management needed for success. The successful design of partnerships is contingent on sharply delineating context, purpose, and processes – one-size-fits-all will not work. A five-part evaluation framework is used to identify the relative strengths and weaknesses of the Australian education partnerships profiled in the paper. By using this framework, the complexities of education PPPs are revealed.

1. Overview

Education public private partnerships (PPPs) are a broad and somewhat ambiguous policy category but one that is compelling. At all levels of education provision there are pressures for wider access and equity, improved quality and better preparation of young and older people for the challenges of the 21st century global economy. It is no surprise that governments have shown an increasing appetite for drawing not only on the financial resources of the private and non-government sectors but also their expertise and organizational and motivational capabilities. Education partnerships are part of the future; the challenge is to decide where they best fit and how to make them work.

This paper explores the characteristics and mixed outcomes of three Australian education public and private partnerships. They are diverse; they do not fit simply into established PPP models and they are not static. Their characteristics and boundaries shift as new opportunities or challenges emerge.

The commonality is that they are all versions of government services being externalized to the private sector to work alongside the public sector on the assumptions that costs will be lowered, value increased, innovation encouraged and better outcomes delivered (Hodge et al 2017).

The insightful externalized services evaluation framework developed by Alford and O'Flynn (2012) provides categories against which governments' purposes and mechanisms for externalizing services can be tested. The application of this framework as an evaluative tool reveals the strengths and weaknesses of the three partnership examples and opens up discussion about assessing gains in public value, where improvements are needed and how future mistakes could be avoided.

The first example is a very successful medium sized on-going PPP schools infrastructure project. It has the balance right between a centrally managed externalized service and local decision making.

The second example touches on the challenges inherent in the service contracting end of the PPP spectrum. The focus is a fee assistance scheme available for students in private providers of Vocational Education and Training (VET). Consensus is that this scheme has seriously distorted the integrity of a service outsourcing strategy.

The third example is at the soft end of the education partnership spectrum. Its focus is schools partnering with local community and businesses in a regional location that is undergoing economic restructuring. The purpose is to expand and enliven the curriculum so young people are better equipped for the 21st century economy and business has access to appropriately skilled employees. Gains are significant in the short term but the factors integral to longer term prospects are difficult to embed.

Each of the partnerships has distinct features that serve to illustrate their diversity, which is of interest in its own right. The Alford and O'Flynn evaluation framework shows how effectiveness might be assessed and pitfalls identified so as to inform future partnerships.

The following sections include: a brief account of PPPs more generally and their characteristics in the education context; discussion of the evaluative framework for externalized services; a snapshot of three education PPPs in Australia; and the application of the evaluative framework to better understand the strengths and weaknesses of the three partnership examples.

2. PPPs: plethora of forms, pervasive and expanding

PPPs manifest in a plethora of forms. Hence, language can be confusing, tying partnerships to particular contexts can be risky, and there are mixed views about the conditions needed for partnerships to consistently improve public sector delivery.

As part of the 1980s public sector reforms PPPs were seen as a way to bring together the best of the public and private worlds (Osborne and Gaebler 1992). A long list of objectives and purposes has evolved mainly centered on the drive for new sources of finance, improved public sector efficiency and the benefits accruing from introducing the discipline of demand driven services. From another perspective many partnerships also aim for improved public governance through greater transparency, cross sector and community collaborations and stakeholder engagement (Verger and Moschetti 2017).

The evolution of the concept has resulted in multiple types of PPPs. Five groups or PPP 'families' have been identified by Hodge and Greve (2007). Education initiatives can be in all of these types.

They types range across

- institutional co-operation for joint production and risk sharing (as in a major port facility or outsourcing or contracting education provision);
- long term infrastructure projects (as in building and managing roads or hospitals);
- public policy networks (as in cross sector shared engagement in an issues based program or forum in health or education);
- civil society projects in community development (as in shared contribution to local projects for cultural or education re-generation); and
- urban renewal (as in the US with extensive city redevelopments).

Each is a structured partnership across sectors to enhance the public good but they differ in whether the financial relationships and organizational relationships are tight or loose so one sees wide differences in financial structures, risk sharing, governance and cross sector relationships, contracting and accountability (Sturup 2017).

One thing that is similar is the language of 'partnerships' even though it has many different applications across these five types. The PPPs for major infrastructure projects are probably the most remote from the idea of partnership but the term is one that many across the political spectrum feel comfortable with. The positive 'emotional connotation … conveys an image of egalitarian and conflict-free decision-making (Schaeffer and Loveridge, 2002:185). It side steps the common challenge that government is outsourcing their responsibilities and privatizing key services. PPPs may just be 'kinder, gentler alternatives to privatization' (Alford and O'Flynn 2012: 90).

Assessment of benefits has mixed results. Hodge and Greve (2007) have found that despite the large size of some PPPs the literature on outcomes and PPP processes has been surprisingly limited, although this is now improving, particularly with the support of The World Bank and OECD (Hodge et al 2017). They identify some promising findings with respect to savings in infrastructure PPP large scale projects such as building and managing prisons with efficiency gains of 10-20 percent.

At the other end of the scale, in reference to UK and US PPPs, they cite Shaoul (2004) among others who is deeply critical of the frequent poor use of public funds, unwarranted debt increases and reduced transparency and accountability for PPP projects like roads, hospitals and rail. Australia also has a history of controversial infrastructure PPPs and governments' audit functions are being sharpened so as to enable greater scrutiny of private as well as public finances in PPPs (De Martinis and Moyan 2017).

Australian evidence has been patchy but the PPP knowledge base is now expanding with interests from many fields – such as finance, public administration and law (Hodge et al (2017). More is now known. For example, it is now widely understood that relationships costs are often underestimated; in times of crisis governments cannot transfer all the commercial and reputational risks; and community satisfaction and trust is of significant influence on government decision making.

The questions have now changed from yes or no decisions about whether or not infrastructure or major service provision should be through a PPP, to a more nuanced and balanced discussion about PPPs as one alternative and they have to meet more than a financial test.

3. Partnerships in education – a broad landscape; shifting boundaries

In early 2000s The World Bank was one of the first agencies to elaborate on the potential role for PPPs in education, particularly school education. Since then the applications of the PPP concept to education has been vastly expanded with mixed results (Patrinos et al 2009, Rose 2010).

Latham (2009) identifies seven types of PPPs in education, broadly consistent with the five families of PPPs previously discussed and similar in spread across economic and social objectives. This list includes: private sector philanthropy and a variety of adopt-a-school programs; capacity building programs; outsourcing of school management; contracting out government purchasing services or programs; voucher systems where public funds follow the learner to a public or private provider; and school infrastructure partnerships.

The World Bank categorization of education PPPs is a similar list with additions such as private sector quality assurance, and innovation and research (LaRocque 2007).

A study of US education partnerships (Smith and Wohlstetter 2006) concluded there is not so much a hierarchy or map of education partnerships but differences across four dimensions: origin – as in whether the partnership forms a new entity or is an addition to an existing one;

content – as in what is exchanged in the partnership; form – as in how formal the arrangement is; and depth – as in what proportion of the organisation is involved in the partnership.

The challenges or benefits for education partnerships can be difficult to unpack because the points of contention vary across ideological, educational or pragmatic themes (Caldwell and Keating 2004).

An ideological objection would derive from the perceived weakening of commitment to public education when government relinquishes its traditional role in any of the aforementioned elements… an educational objection would be raised when the nature of the non-public entity or the benefit it derives are perceived to be inconsistent with the nature and purpose of public education. A pragmatic objection may be upheld when the expected benefits are not realized by either partner. (Caldwell and Keating, 2004, p. 2)

Exploring the impact of education partnerships is a particularly complex discussion in Australia and other countries where the fundamental notion of government is synonymous with striving for the public good. Commercial gain and public accountability are not easy partners, particularly in an education context. A resolution calls for partnerships to be not only technically optimal but also accompanied by democratic debate and transparency (Skelcher 2005).

The World Bank (La Roque 2007) identifies positive gains in terms of lower costs and more timely delivery but the impact of 'contracting out' in charter schools in USA and academies in England for example, varies as there are some standout successes but also failures or instances where being supported by private sources does not make any difference to outcomes (see also Suggett 2015). Results on vouchers, where government funds follow the learner's choice of education provider, are also inconclusive (Woessman 2006).

4. An evaluation framework: context driven; provider neutral

One way to take account of the different but overlapping purposes and models is to stand back and see them through a wider lens with all the families of PPPs linked through being different ways for externalizing government functions (Alford and O'Flynn 2012). From this perspective they form a continuum from tightly structured contracting with highly specified financial and organizational rules to more collaborative and network based partnerships.

Different approaches serve different public purposes and link to different values. Governments need to be well equipped to make decisions on what form is most appropriate for a particular context; take a 'provider-neutral' stance where it is getting to the quality outcome that matters most.

The choice to externalize functions or services is therefore not a formulaic process where one commercial option is matched with service type but is seen as a contingent issue; the approach to externalizing depends on the circumstance with public managers being expected to exercise rational judgement about whether to externalize a service and under what circumstances (Alford and O'Flynn 2012).

This would enable the points of contention about public or private education services (Keating and Caldwell 2004) to be more systematically assessed and resolved.

This framework can also work retrospectively to identify weak and strong points in existing PPPs and highlight those dimensions that have contributed to success or failure.

Five considerations form the framework. Highly successful education PPPs would be expected to be 'strong' on each dimension.

Criteria for strong and effective partnerships

1. Strategic purpose. The first question is concerned with the purpose of the externalization. What value is being sought? What strategic benefits are expected to accrue? Is externalization strategically better than keeping the function in-house; is there an evidence base supporting this judgement?

This challenges the assumption that an arrangement with an external body is good in itself and instead forces a tight analysis of what outputs and outcomes are being sought from doing this anyway and that in turn opens up a view of the options for where external bodies might contribute to deliver superior outcomes. It asks for the 'theory of action' to be explicit – 'if we do this then we would expect that to happen'.

2. Adding value. The second question is where in the delivery of the service or function should the involvement of an external party be introduced. Who should be involved to do what?

This question explores where the opportunity for externalizing a function or service best sits in the 'public value chain' or the process through which the service is conducted and outcomes delivered. Is it at the planning end, the management function, or the delivery process? How is this done now and who else is involved from government, private and not-for profit sectors? Are the steps currently taken the right ones? Will an external provider have the capability to add value?

3. Costs and benefits. The third question gets closer to the actual tangible benefits versus the costs. Will the service benefits exceed the costs of the externalized service? Over what time period and how will the externalized service be better than now?

This focuses on benefits such as quality, efficiency, timeliness compared with the price charged by the external provider. The cost also takes into account what the impact will be of externalizing a part of the service on the rest of the organization. Does it weaken the organization or enable it to strengthen its capability?

4. The capabilities and cost for managing partnerships. The fourth question focuses on ensuring the skills for establishing and managing external relations are systematically identified. Are the full costs for maintaining the relationships taken into account?

This acknowledges what is often bypassed in the initial decision making process. Partnerships require staff to develop new communication skills and engagement processes alongside monitoring or regulatory processes. The costs of the relationship management can be considerable. Does the management of the relationship with the external providers or partners outweigh the benefits from the partnership? Is the relationship or partnership robust and established to last for the long term and not overly dependent on the initial partners?

5. Accountability and regulatory control. The final question focusses on how public accountability is specifically taken into account. Is there a tailored and effective regulatory regime that can ensure the public interest is considered and protected? Is it at the light touch end of the spectrum or more hard-edged?

The degree of oversight that is needed for a private contribution to a public purpose is hotly debated. Is there a specific body that regulates this area of activity and does the role easily enable oversight of the new activity; is the regulatory model suitable? Or, is this area of activity sufficiently different so that there is no obvious ‘home’ for the oversight of the activity? What skills do the staff members of the oversight body require; are there legislative issues that aid or hinder the oversight?

The following sections discuss three diverse education partnerships in Australia through the lens of this framework.

5. Education partnerships in practice

1. A successful school infrastructure PPP

> *This is a successful and ongoing school infrastructure PPP that is now expanding its coverage to include long term social partnerships at the local level. The purpose and expected value is very clear. Importantly, the governance is strongly local and the boundaries of the PPPs are flexible so that potential bidders compete not only on the capital component but also on their capacity to stimulate local social partnerships to improve the quality of education provision.*

Snapshot

There are approximately 1500 government schools in the state of Victoria.

- Since 2008, Victoria has operated a successful PPP initiative for building schools as a supplement to the traditional fully government funded and operated schools infrastructure program (Department of Education and Early Childhood Development 2009, Department of Treasury and Finance 2017). The school initiative is part of a state wide PPP infrastructure program.
- Under the PPP model, a proportion of Government schools are financed, designed, constructed and maintained by the private sector over 25 years.
- The scheme commenced as *Partnerships Victoria in Schools* and delivered twelve new schools and a number of integrated community hubs in 2010 and 2011. The private sector partner was a consortium that was responsible for building and maintaining all the schools in the program.
- The *New Schools Public Private Partnership Project* announced in 2015 expanded the earlier initiative with a further 15 new schools opening in 2017 and 2018.
- The state of Victoria uses a methodology with a Public Sector Comparator (PSC) that estimates the risk-adjusted, whole-of-life cost of the project if delivered by the State. If the competitive bid is lower than the PSC, it is an indication that at face value, the bid represents value for money. For example in 2008, the successful bid was 2.6 percent lower that the PSC.

- The private sector consortium comprises architects and builders, facilities managers and community partners. The intent is for the schools to be designed not only as educational facilities but also as community hubs that form local community partnership.

How does it rate?

Strategic purpose – What benefits are expected and were they delivered? (Rating: Strong)

The strategic purpose was very clear and uncontested and the objectives appear to have been achieved.

The schools' PPP in Victoria is premised on a clear division of responsibilities where the facilities were designed, built and managed by the private partner consortium and the Victorian government retained the responsibility for teaching and learning and meeting all the responsibilities for student wellbeing.

The rationale is that the responsibility for oversight of the facilities is removed to enable the principals and teachers and the parent community to focus on student learning, rather than asset management.

Adding value – Is the external provider located at the best location in the 'public value chain' and have we involved the right partners? (Rating: Strong)

Traditionally, the Government separately engages a team to develop the design documentation and then engages a builder to deliver the works at a fixed price.

The principal typically leads a teaching and learning planning process, hires new teachers and is also expected to play a leading role in the design and construction of the school. (The Schools Building Authority, a division of the Department of Education and Training has recently assumed a more central role in this process.) On-going maintenance is also the responsibility of schools to be managed within their funding allocation.

This PPP has proven to be correctly located as it not only frees the principal from managing the building and maintenance of infrastructure but also ensures the best design is available for schools.

The second wave of PPPs has expanded the objectives to include the more social aspects of the infrastructure partnership to ensure facilities are also tailored to the broader education and development needs in the community. So, in essence the PPP has matured to embody a wider spectrum of partnerships than those for building infrastructure.

Cost and benefits – Is the externalized service manifestly better? (Rating: Strong)

From the financial perspective benefits to the government lie in the infrastructure 'whole of life' efficiencies that in a bidding process optimize the trade-off between capital costs and maintenance and lifecycle costs. That is, efficiencies are delivered through linking the capital investment decision to the ongoing maintenance obligations.

From an educational perspective, there are significant organizational gains. A quote from a regional manager illustrates the gains.

> *The PPP arrangement allows the staff to do what they're meant to; focus on teaching and learning. The schools are maintained to a high standard and the things that go wrong with them get fixed to a high standard and quickly. Compare that to a mid-size to large secondary school with over 1000 students where they might have a full time Assistant Principal focused on buildings, grounds and maintenance. From the regional perspective, we also no longer have to worry about schools' maintenance projects, emergency maintenance, or overall property management failures. It is all managed in a far more professional and organized way.*
>
> *Source: Interview Executive Director, South Eastern Victoria Region October 2017*

There are some challenges made that the PPPs take away the flexibility for modifications to accommodation but the benefits seem to outweigh this limitation

Capabilities for managing partnerships –Are relationship skills and management adequate and taken into account when the PPP was considered? (Rating: Medium)

Because one consortium is chosen for a number of school projects, building and sustaining the partnership is streamlined and can be sustained over time. A local School Reference Group is formed for each school and it provides a link between the school and the community and private partner during the planning and construction phases.

However, there is a view that the skills needed at the school and regional levels for supporting the planning process, particularly as it expands to involve local community services, are demanding and should not be taken for granted. The partnerships can experience delays in decisions and relationship breakdowns and the capability of principals does impact the on-going relationship costs.

Accountability and regulatory control – Is public accountability and transparency assured and does the partnership have the public confidence? (Rating: Strong)

The PPP is in effect local, which is a good position for ongoing transparency and accountability. The principals, teachers and the school council are close to the projects, have an opportunity to express their needs and then have a long term relationship with the partners who manage the assets over 25 years.

The government department has also singled out the management of the infrastructure program through a School Building Authority that manages and reports to central government agencies.

However, the lesson of accountability was learned early in the process. If there is a process failure and expectations of the community are not met, the government is still responsible for quality even though there is a PPP arrangement. Government cannot outsource political risk.

2. Contracting out: a failed fee assistance scheme in VET

> *The exploitation of a new scheme for student loans by private for-profit providers of VET has served as a tipping point in public tolerance for the public private mix in government funded vocational education in Australia. Complex funding, wide separation of funding and regulation responsibilities, and limited oversight of private providers and the declining strength of public providers has thrown the contracting model's shortcomings into relief. Governments cannot outsource the political risk of market failure in a public system.*

Snapshot

- A public and private vocational education ‘market’ was opened up around 20 years ago and the presence of private providers contracted by government to deliver courses has steadily increased.
- Under a ‘student entitlement’ concept in Victoria (being expanded in other states) eligible students select their provider of choice – all providers now compete for students from the same pool of money.
- In Victoria, private providers have expanded their share to 55 percent of the training market.
- A change in the character of the market and a stimulus to the private providers has been the expansion from 2014 of a government income contingent loan scheme for fee assistance for Diploma and Advanced diploma students (VET FEE-Help scheme) (Commonwealth of Australia 2015, Noonan 2106).
- The fees are paid directly to the providers. The students are responsible for paying back the loans after they qualify and commence a job.
- Private providers recruited extensively and the scheme stimulated a 90 percent increase in enrolments at the diploma and advanced diploma levels.
- In a number of private providers, fee assistance has unfortunately been accompanied by unethical provider behaviour through inappropriate recruitment and the poor quality of course offerings. This has arguably led to a loss of trust in private providers in the VET system as a whole, although a relatively small proportion of VET providers have acted inappropriately.
- After public outcry the scheme in 2017 reduced by around half the number of courses where students are eligible for fee assistance. (Now called VET Student Loan.)
- VET is funded under complex shared funding arrangements between the Commonwealth and State governments: the states fund government and private providers and the Commonwealth contributes to States financing and operates the loan scheme for diplomas and Advance diplomas.
- Regulation is via a commonwealth body, except for two states that retained their state regulation.

How does it rate?

Strategic purpose – What benefits are expected and were they delivered? (Rating: Medium)

The initial purpose for a market led public and private training system was to generate a training system that was industry led, flexible and responsive and hence more relevant to trainees and the economy. This objective remains strong and relevant and the fee assistance scheme was continuing this trajectory.

But a parliamentary enquiry in 2015 (Commonwealth of Australia 2015) observed that they have 'heard harrowing and concerning evidence of misconduct by private VET providers… exploitative conduct, shoddy training and massive profits at the public expense'.

Some argue that the exploitation of the fee assistance scheme has thrown the inefficiencies in the system into relief, even though there were a relatively small number of exploitative providers. (Of approximately 1800 private providers that receive public funds, six accounted for 50 percent of the outlays on the fee assistance scheme and 207 for the remainder, Noonan 2016).

Adding value – Is the external provider located at the best location in the 'public value chain' and have we involved the right partners? (Rating: Weak)

The structure of the scheme was inadequate for the objective. Fees were a direct source of revenue for providers without sharing the risk of repayment of the loans. This led to a massive distortion in some providers where there was the opening for excessive fees being charged and inappropriate recruitment and enrolment.

The result in these providers was that many people did not engage in training and did not receive a qualification and they most likely cannot repay the loans to the government.

Why did this happen? One perspective is that the VET market is overly complex, multi-layered and opaque. It is shaped by the legacy of past policies seen in legislation, regulation and funding (Korbel and Misko 2016) and has reached a point where redesign is imperative.

There is a growing need for the 'public value chain' – public and private provider system, the delivery models, pricing systems, public funding and incentives, and the governance and accountability systems – to be tested in terms of their coherence and capacity to serve the needs of students and the economy (Noonan 2014).

Cost and benefits – Is the externalized service manifestly better? (Rating: Weak)

The scheme has been expensive Contestability is intended to lower costs through competition. However, some claimed that the price of a diploma 'skyrocketed' as the fee assistance became easier to access (Commonwealth of Australia 2015). This has had consequences for the government budget.

One analysis is that 40 percent of the $A3.1 billion in total loans paid to training organisations (public and private) will never be repaid (Norton 2015).

At a broader level, many fear that the VET public providers are weakened and further capability will be lost if governments do not determine what is the right balance between public and private provision. It is argued that greater benefits will accrue if public and private providers can complement each other and jointly be effective in providing to the public a more complete range of training.

It seems inevitable that the highly competitive reality of unrestricted contestability in the vocational 'market' will give way because the costs outweigh the benefits.

Capabilities for managing partnerships – Are relationship skills and management adequate and taken into account when the PPP was considered?? (Rating: Weak)

Until recently, the managers of this system have had incomplete data on the characteristics of the providers and the private market - the main focus of data collection has been on students' VET activity not on the providers.

The sector is highly diverse with providers connected to and in partnership with a range of bodies in industry and the community as well as government and a long tail of providers with very small numbers of students. This raises issues about critical business mass and the capacity to regulate and meaningfully engage with such extreme diversity (Korbel and Misko 2016).

The characteristics of the private provider market suggest future consideration of relationship management is an important component in the public private model.

Accountability and regulatory control – is public accountability and transparency assured; does the partnership have the public confidence? (Rating: Weak)

This dimension is a major weakness. Under the commonwealth and state shared funding model no single level of government is fully responsible and accountable. This weakens the sustainability of the arrangements.

There are inefficiencies and risks in separating regulation and funding such as differing but overlapping standards, mixed audit processes and different remedies for non-compliance.

A consequence can be that the status of qualifications suffers from the system failing to sustain trust in the validity of the education outcomes for students.

3. Broadening Horizons: education partnership for schools and industry

> *This is a regional schools-business-community partnership to enhance the curriculum for students around 13-14 years of age by engaging them in real industry based problem solving. The aim is to better equip young people for the knowledge economy and to build the pool of potential employees for businesses as they restructure to successfully compete in the global economy.*

Snapshot

- Broadening Horizons commenced in 2014 as an educational program in 10 secondary schools in regional Victoria with 17 industry and community partners. It is for students aged 14 to 16 years and is provided for the equivalent of 20 percent of a year.

- Teachers work in teams with industry employees to guide students' learning in a mix of in-school and out-of-school projects on real problems or questions. For example, how do we adapt land management practice in response to climate change impact; how might we reduce illegal rubbish dumping in parks and plantations; and how can we market Australian dairy products in Asia?

- The program is designed to equip students with the skills and dispositions needed for a changing 21st century economy by providing students with community based and authentic problem solving projects in an environment that calls for team work and collaboration as well as analysis.

- Business and community partners are seeking future employees with the skills for the knowledge economy as the economic demands on industry also change. They are therefore willing to dedicate resources to work with schools to support skills development.

How does it rate?

Strategic purpose – What benefits are expected and were they delivered? (Rating: Strong)

The core purposes are educational and developmental and they have an evidence base. The educational purpose is to design programs that will best equip students with the skills and attitudes needed to continue education and be prepared for employment in the knowledge economy. A carefully designed partnership with industry that connects students and teachers with the real economy is the shortest route to achieve that purpose.

The second purpose is to support regional development through schools more deeply understanding the changing structure and needs of the local economy and responding in the courses they offer.

These intended purposes appear to be in the process of being met. Evaluations show the students are highly engaged in their learning – more so than non-Broadening Horizons students – and they are developing the skills needed for a knowledge economy.

Industry partners are excited about the gains from their employees' involvement in the partnership and in the quality of the ideas exchange with schools (PTR 2017).

Adding value – Is the external provider located at the best location in the 'public value chain' and have we involved the right partners? (Rating: Strong)

Evaluations show a high level of satisfaction in the structure and timing of the partnerships. It is a commitment at a specific year level in the school program to ensure adolescent students are excited about their school work and see the benefit of enquiry skills and collaboration before they make choices for senior studies.

It is locally designed and that maximizes the possibility that it is fit for purpose for the partners – they have a direct say in what form the partnership takes.

SUMMARY: HOW DO THE EDUCATION PUBLIC PRIVATE PARTNERSHIPS RATE?

Evaluation Criteria	Infrastructure PPPL schools	Contracting out; Fee assistance in VET private providers	Education partnerhip: Schools and industry
Strategic purpose	Strong	Medium	Strong
Adding Value	Strong	Weak	Strong
Cost and benefits	Strong	Weak	Medium - Strong
Capabilities for partnerships	Medium	Weak	Medium
Accountability and regulatory control	Strong	Weak	Medium

Cost and benefits – Is the externalized service manifestly better? (Rating: Medium-Strong)

The costs are mostly in terms of staff time. For schools, the additional time is a moderate additional cost as the program requires intensive preparation in addition to the teaching time. But for industry partners the time is additional to their routine activities and is therefore closely observed in terms of costs versus benefits.

Benefits are subjective because quantitative outcomes are not possible at this stage. All partners remain enthusiastic but believe that the logistics and future planning needs to be consolidated before the future is assured – a change in management in any of the partners could well change the assessment of benefits versus costs.

Capabilities for managing partnerships – Are relationship skills and management adequate and taken into account when the PPP was considered?? (Rating: Medium)

This is the most challenging aspect of the partnership and where the gains can be considerable but where its future is vulnerable.

Teachers consistently say that they find the additional time to build relationships and the skills to sustain them very demanding. Industry partners also say the relationship costs are high but to date have been worthwhile.

Suggestions for improvement include better role specifications for all partners; management of partners to more explicitly build in the time for the partnerships; and making routine time for planning and review each year.

Accountability and regulatory control – Is public accountability and transparency assured and does the partnership have the public confidence? (Rating: Medium)

This local partnership has the vulnerabilities of projects of a similar scale.

Local initiatives are vulnerable in large government organizations where the partnership has low visibility and sustaining local partnerships may not be priority. However, local partnerships that work well are highly valued by the local community. The challenge for this initiative is to be seen as relevant and a core commitment not an optional extra.

Summary: How do the education public private partnerships rate?

6. Concluding thoughts

What can we take from these examples?

- The three examples represent the variations in partnership types that are developing throughout education and are not limited to the more familiar infrastructure partnership. Education probably will not be constrained by pre-existing models and new approaches will continue to be generated. This will call for policy frameworks to be broad and flexible.

- Partnership boundaries are also changing and new functions are emerging as the partnerships evolve to embrace new objectives and new partners. The school infrastructure example illustrates that. This calls for effective monitoring, feedback loops and responsive mechanisms to be built into partnership design.

- VET fee help scheme failure highlights the many risks in a complex contracted out service. In particular, it highlights the importance of better understanding the public 'value chain' – the sequence of critical stages in the delivery of any public service and who is asked to perform that service. This calls for decision making to be far more exacting in identifying the causal links in the production of outcomes and the advantages and risks inherent in where a contracted service is best located and that a tailored vetting and accountability process is an essential component of any contracting scheme.

- Relationship management is an important feature of an effective partnership. This may need to be at a central government level but in these examples there is a need to consider the local relationships and transparency with local communities. This calls for new skills in relationship management as well as additional resources.

- The contracting – accountability link is complex and sensitive. The VET example, illustrates the inevitable consequences of a contracting system that has adjusted its key elements over time to a point where the whole structure needs conceptual as well as structural revision.

- Costs and benefits are not only estimated in direct financial terms but increasingly include relationship costs and benefits and the gains or losses that occur in the organization as a result of externalizing a service.

One executive designing education PPPs in Australia observed that while most PPPs are achieving significant outcomes and unleashing innovative programs, the same initiatives *should* be achievable by the public sector but in reality are not. He argues that it is not that the private partners are inherently better but that their context is different – this could be greater clarity in the task, closer proximity to the actual service, and probably a smaller administrative unit and more focused accountability.

This is a different perspective on education partnerships. While most believe that partnerships and externalized services are here to stay, the public sector is not standing still and may take on some of the key characteristics of the private sector. High quality service provision may well go beyond a simple public – private split to become a new hybrid form.

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Featured Paper 3

Public-Private Partnerships in Global Governance, W. Julian Korab-Karpowicz, D.Phil. (Oxon)

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Can Public-Private Partnerships be applied to international affairs? This paper reviews the existing relations between public and private global actors. I argue that current international politics is largely an outcome of these relations. Although for the foreseeable future traditional nation-states should not be dismissed, they come under the constant pressure of different private actors, among which MNCs and NGOs can be included. If this is the case, the question of our common global responsibility must be raised. It has been the traditional role of governments to be responsible for their citizens. With the changing picture of global environment, the demand for responsible action should also be extended to private actors. My conclusion is that once they are properly institutionalized, perhaps in the form of a United Citizens Organization, Public-Private Partnerships could contribute to the future model of Global Governance.

Public-Private Partnerships in International Affairs

Public-private partnerships can be defined as "the formation of cooperative relationships between government, profit-making firms, and non-profit private organizations to fulfil a policy function" (Linder and Rosenau, 2000: 5). According to the classical idea of good government, of which the key concept is common good, fulfilling a policy function should always directed at some public good or a good of the whole community. This implies that in international affairs cooperative relationships are formed, first, to fulfil functions that would serve universal human needs, namely those that concern humanity as a whole rather than any particular nation or another group. Second, these cooperative relationships to fulfil universal human needs would involve global actors: nation-states, international organizations (IOs) and non-state, private actors. The latter can be divided into for-profit, such as multinational corporations (MNCs), and non-profit, such as international non-governmental organizations (NGOs).

It is often observed that in the age of globalization, nation-states are increasingly affected by decisions over which they have little control. This is a result of the involvement in global politics of so many non-state actors, particularly multinational corporations and non-governmental organizations, as well as different interest groups (businesses, trade unions, professional and trade associations, civil rights organizations). However, from our consideration of PPPs in global governance, we should exclude lobbying. Lobbying is aimed at obtaining some goods and services by different interest groups. It attempts to influence the actions, policies, or decisions of public officials in order to obtain goods or services that serve particular interests of a minority at the expense of the majority. In our vision, based on the classical idea of good governance, to fulfill a policy function which is the goal of PPP should always be a common good rather than a benefit of a minority.

Public-private partnerships (PPP) as governance tools have been around for quite a while in domestic affairs. However, it is only recently that they have become the objects of consideration beyond the nation-state. The reason is the growing importance of non-state actors in international affairs. They are considered in the international relations (IR) literature by some authors as potential partners of national governments and international organizations in structures of global governance (Reinicke 1998; Cutler, Haufler, and Porter 1999; O'Brien et al. 2000; Reinicke and Deng 2000). These authors argue that once the concept of Public-Private Partnerships is applied to international affairs, this can lead to a significant solution to a whole variety of problems of governance beyond the nation-state. PPPs can lead to the increase of both the effectiveness and the legitimacy of global governance in terms of democratic participation and accountability.

First, I first present an overview of the types of relationships between public and private actors that can be applied to global governance. Second, I raise the questions of their potential benefit and responsibility. Third, I make a proposal for a new model of global governance that involves both public and private actors.

Types of Public-Private Partnerships

What are the existing forms of PPPs in international affairs? I build on the useful classification of Tanja Börzel and Thomas Risse (Börzel and Risse, 2007) and distinguish the following types.

1. Co-optation of private actors

This is currently the most common and at the same time weakest form of PPP applied to international affairs. By co-optation of private actors, governments and international organizations incorporate representatives of private businesses and non-governmental organizations as members of their delegations in rule-setting and rule-implementation. These private entities provide expertise and sometimes also moral authority and legitimacy to norm, rule and decision-making procedures. As Börzel and Risse stress, "in many cases, co-optation has resulted in striking influence by non-state-actors in international treaty-making" (Börzel and Risse, 2002: 6). An example is Amnesty International, which has established itself as a moral authority and a reliable source of knowledge in the area of human rights. Because of this position it has shaped may international rights agreements (Korey 1998). Also, during the negotiations on banning antipersonnel mines, the NGO International Campaign to Ban Landmines had received a formal observer status, including the right to make proposals and suggest changes in the treaty. Finally, through co-optation, some multi-national corporations have got access to international negotiations and have been thus able to influence the policies of such international organizations as International Monetary Fund, Word Bank or World Trade Organization (O'Brien et al. 2000).

2. Delegation of certain functions to private actors

States and international organizations can delegate certain functions to non-state, private actors. This assumes the form of contracting out public services or of relying on private expertise concerning standardization. As an example of the latter, the NGO's International Organization for Standardization (ISO) and European Committee for Standardization (CEN) are private entities to which, for expertise and efficiency reasons, setting technical standards has been delegated. As an example of the earlier, the UN and EU frequently contract out the provision of humanitarian aid, health services, and others functions to charities, churches, NGOs and other private entities.

3. Involvement of private actors in rule-making as equal partners

Non-state actors become legitimate and equal partners in the making and implementation of international rules. Business associations and trade unions constitute negotiating partners at the International Labor Organization (ILO). Another example is the World Commission on Dams (WCD). It consists of national governments, the World Bank, firms, and INGOs (Khagram 2000). The Transatlantic Business Dialogue (TABD) represents a forum in which firms negotiate trade and investment regulations for the transatlantic area under the auspices of the U.S. government and the EU Commission (Cowles 2000).

4. Adoption and consent of self-regulation of private actors

International organizations and national governments sometimes allow and even adopt self-regulation of private actors. For example, when the WTO had developed a code of ethical and scientific standards, the International Federation of Pharmaceutical Manufacturers Association independently adopted a Code of Pharmaceutical Marketing Practices, which has become an international standard (Ronit and Schneider 1999). Adoption is often triggered by the lack of effective international norms and rules. In the absence of an international legal system, private regulations may then become "publicly sanctioned" (Lehmkuhl 2000). An example of a state-adopted private regulation is Internet domain names. Private regulations and an IO-sponsored system of domain names competed for a while. In the end, private regulations won and were then adopted word-wide by national governments. Does the public adoption of privately negotiated regulations does still qualify as a public-private partnership? The involvement of public actors is here purely ex-post. They have control over output since national governments and international organizations cannot be forced to adopt private regulations.

5. Sharing in global governance by private actors

Governance is a way of governing, which is non-hierarchical and involves various actors, who participate in policy making. Today's global governance is based on the idea of international society, formed by nation-states, who join international organizations, particularly the UN. The future global governance may involve non-state actors as well, for example in the form of a United Citizens Organization, which I shall discuss later in the text.

The brief overview of the types of transnational relationships between public and private actors shows that even if they are not fully employed yet, PPP arrangements in international affairs have a great potential. They may be utilized for service provision, especially development and humanitarian aid, setting ethical, scientific, technical and environmental standards, setting economic and security policies, and resolving issues related to human rights and strengthening civil society. Further, they can contribute to global governance. I shall now address the question of their benefits and responsibilities.

Potential Benefits of Public-Private Partnership

In the existing literature we can find arguments in support of PPPs in international affairs. First, their supporters argue that they can increase world problem-solving capacity. In those areas in which public actors have only limited human and material resources, non-state actors can come to the rescue. Sharing re-sources between public and private actors, for example in such areas as environmental research, international development or humanitarian aid, can increase the capacity of governments and international organizations to solve specific problems (Wolf 2000). Second, non-state, private actors can serve as knowledge providers for public actors. In the human rights area, for example, the regular provision of information by the NGOs to national governments and UN human rights committees has greatly improved the public knowledge of human rights violations and has increased compliance with international human rights norms (Risse, Ropp, and Sikkink 1999).

Another support of PPPs in international affairs comes from those who link effective problem-solving with deliberative democracy (Bohman and Regh 1997). They claim that involvement of those who are affected by rules in the deliberative process of rule-making could lead to better decisions in the form of a *reasoned consensus* rather than a *bargaining compromise* (Scharpf 1997; overview in Risse 2000). By bringing in additional information and expert knowledge, private actors could contribute to the identification of possible ways of handling problems and make public actors become open to deliberation and consensus (Brühl et al. 2001). At the same time, this would enhance the democratic legitimacy of decision-making process (Reinicke and Deng 2000).

Therefore, it is believed that, by participation in international rule making and in solving world problems, non-state actors—both for-profit private companies and non-profit sector, representatives of so called transnational civil society (Florini 2000)—could eventually help to remove the democratic deficit and provide greater accountability and transparency to governance beyond the nation-state. It could enhance the participatory and democratic nature of the process of international rule and policy making.

Nevertheless, some objections can be raised. Participation of non-state actors may not make international rule-making processes more democratic if this participation is selective. This applies to both for-profit and non-profit organizations. Which MNCs and NGOs should participate? As MNCs and NGOs are not generally elected, they cannot legitimately claim to represent the public interest. It is also because MNCs tend to be self-interested and often narrowly profit oriented, and NGOs tend to be self-selected and elite-driven (Keohane and Nye 2001). Thus PPPs involving MNCs and NGOs world also raise questions of selection and exclusivity.

Whether or not PPPs increase our world problem-solving capacity and make international relations more democratic depends on some conditions. First, we can ask how inclusive or exclusive the PPP arrangements are. The more exclusive they are, the less accountable and the less transparent they become. However, inclusive PPP arrangements might lead to reduced effectiveness. In other words, a trade-off between legitimacy and effectiveness might arise. Second, we can ask about the state and non-state actors' social responsibility. Whether PPPs could solve effectively world problems and remove the democracy deficit from global governance depends on whether they would act as socially responsible actors.

Responsibilities of Actors Involved in Public Private-Partnerships

Professional responsibility is often treated as defining a set of obligations related to professionalism itself: obligations to the particular client's interests and to the needs of society at large (Fenwick 2013: 3). It overlaps with ethics. If we apply the concept of responsibility to institutions, and particularly to nation-states, social responsibility is the commitment by organizations to respond ethically to social concerns. This ethical response can be associated with acting for the public or common good, rather than solely for one's own particular good. It is the basis of the classical distinction between decent and deviant forms of government. Whereas the latter serve the interests of some minority groups at the expense of the rest, the latter earlier serve the interests of the whole society. They contribute to citizens' security, prosperity, vitality and general happiness.

Although the post-Weberian concept of the state puts an emphasis on coercion and the legitimate use of force, in the more classical understanding the state has an important ethical role as well. It is a defender and organizer of society, responsible for its survival and well-being. Politics, the art of governing, "is the ability to actualize a good life for a society" (Korab-Karpowicz 2017: 1.2). The same concept of a good life or of prosperity can be applied to the whole of humanity when we consider the idea of global governance. Ultimately, its goal is not to benefit any particular groups, organizations or even countries at the expense of others, but it must work for the sake of peace and prosperity for all.

"'Global governance' refers to collective efforts to identify, understand, or address worldwide problems that go beyond the capacities of individual states to solve" (Weiss, 2009: 257). Whereas government implies a hierarchical relationship between the rulers and the ruled, as we have already mentioned, governance implies a non-hierarchical relationship between actors who participate in the rule-and policy making process. Applied to global affairs, governance is the golden mean between the international anarchy of nation-states unrestrained by any laws and the centralized and hierarchical rule of world government. While world government eradicates state sovereignty, different models of global governance, to begin with international society, can preserve it and engage states and non-state entities in cooperation in solving world problems.

Global governance is then the type of world order that is produced when states, international organizations, and non-state actors participate voluntary in discussing, making and implementing of norms and rules that bind them all. However, if global governance is to be more effective and more legitimate, it must be based on responsibility of all actors involved in it. Without this responsibility PPPs could become neoliberal solutions in disguise. They would amount to the privatization and de-regulation of formerly public services, with the primary aim of mere private profit.

For PPPs to work in international affairs all actors involved must develop a sense of social responsibility. This would be more than a social responsibility for one's company, organization or nation, but a cosmopolitan responsibility for all humanity. On such cosmopolitan responsibility a new model of global governance involving PPPs can be based.

Private-Public Partnerships' Contribution to Global Governance

Will PPPs increase our world problem-solving capacity and make international relations more legitimate and democratic? The current weakness of the UN and other international organizations is that national governments do not always support them. This becomes evident given the enduring lack of material resources of the international organizations. As a result, many international resolutions and initiatives that could potentially benefit humankind could not be put into practice. The function of PPPs in global governance would then be (1) to minimize unilateral and potentially damaging responses to world problems by individual state actors moved by their narrow national interests, (2) to collect re-sources and provide burden-sharing between public and private actors, (3) to increase the knowledge base (scientific and other) of public actors in various governance matters, (4) to provide a greater legitimacy to international rule-making and world problem solving.

Accordingly, global governance based on PPPs does not necessitate the replacement of the present state system with a world state or the election of a new global authority. The latter has, in a limited form, already been provided by the United Nations. My proposal is to add to the current global governance model based on the UN a new component: Public-Private Partnerships. They can be institutionalized, for example in the form of a United Citizens Organization (UCO).

If the UN can be compared to an international higher house or senate, and the UN security council to a council of state, the UCO, whose representatives would come from different MNCs and NGOs, could be compared to a lower house. Like a lower house they would be able to engage in deliberation and making of international rules, and to propose solutions to world problems. The presence of for-profit MNCs and non-profit NGOs in the same chamber would result in deliberation and bargaining, and eventually lead both parties to reasonable compromises. Further, thus institutionalized non-state actors would be able to exert effective pressure on national governments, so that they would support beneficial initiatives that could facilitate a positive world transformation. While wielding power that at present none of the

MNCs or NGOs represent, it would be a life promoting and enhancing instrument of world society through which a more humane world could be achieved.

While the problems of selection and representation pertaining to the presence of MNCs and NGOs in the United Citizens Organization need still be discussed and solved, the participation of non-state actors – both for-profit and not-for-profit – would increase the democratic character and the legitimacy of global governance. To the current international society, whose members are states united in the UN and other international organizations, it would add a new element of world society or transnational civil society, whose members are all people on Earth.

Conclusion: Levels of Governance and the United Citizens Organization

The actual picture of the world includes both old and new threats such as poverty, cross-border crime, terrorism, global warming, energy scarcity, and so on. These threats are magnified by the widening spread and quickening pace of globalization. To deal effectively with them, one has to work on many levels of governance. It is unlikely that the current state-system that is the defining feature of today's international order is a merely transitory phenomenon and that it will soon disappear. States perform important functions. They are defenders and organizers of societies, and if they cannot perform these functions will, we call them weak or even failed states. However, to curb potential states' egoism, their acting with a view to their interests alone and without respect for other states' interests and the interests of the whole international community, they must be involved in networks based on cooperative values. This has been partially achieved by the building of international society based on the UN and other international organizations. The next step toward a more sophisticated global governance that I am now proposing is to expand global governance to world society by including the United Citizens Organization, based on representatives of MNCs and NGOs. Nation-states that are linked to others by international institutional and economic ties, and whose activities are overseen by non-state actors become important focal points of security and community.

There are different communities and social levels at which individuals can relate to each other: family, local community, nation, and world society. These communities serve various functions in human life, and therefore they all have their validity. World society, which includes all humanity, cannot replace any nation or substitute for national identity, but it can add a new element to our relationships, namely humanitarian fellowship and cosmopolitan responsibility. The existence of its organization—the United Citizens Organization, based on non-state actors and grounded in cosmopolitan responsibility—postulates that we should regard others as our fellow human beings and that, in addition to being responsible family members, employees or citizens, we should also feel responsible for what happens to any other person who lives on Earth. In short, the existence of the UCO, representing world society, requires from us that we neither do harm to others nor be indifferent to other peoples' suffering. It obliges us to defend and enhance life against those forces that are destructive of life, and to exert pressure on governments, so that they not only look to their national interests, but also support international organizations and consider the welfare of all humanity.

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Public-Private Partnerships in Global Governance

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Can Public-Private Partnerships be applied to international affairs? This paper reviews the existing relations between public and private global actors. I argue that current international politics is largely an outcome of these relations. Although for the foreseeable future traditional nation-states should not be dismissed, they come under the constant pressure of different private actors, among which MNCs and NGOs can be included. If this is the case, the question of our common global responsibility must be raised. It has been the traditional role of governments to be responsible for their citizens. With the changing picture of global environment, the demand for responsible action should also be extended to private actors. My conclusion is that once they are properly institutionalized, perhaps in the form of a United Citizens Organization, Public-Private Partnerships could contribute to the future model of Global Governance.

Public-Private Partnerships in International Affairs

Public-private partnerships can be defined as "the formation of cooperative relationships between government, profit-making firms, and non-profit private organizations to fulfil a policy function" (Linder and Rosenau, 2000: 5). According to the classical idea of good government, of which the key concept is common good, fulfilling a policy function should always directed at some public good or a good of the whole community. This implies that in international affairs cooperative relationships are formed, first, to fulfil functions that would serve universal human needs, namely those that concern humanity as a whole rather than any particular nation or another group. Second, these cooperative relationships to fulfil universal human needs would involve global actors: nation-states, international organizations (IOs) and non-state, private actors. The latter can be divided into for-profit, such as multinational corporations (MNCs), and non-profit, such as international non-governmental organizations (NGOs).

It is often observed that in the age of globalization, nation-states are increasingly affected by decisions over which they have little control. This is a result of the involvement in global politics of so many non-state actors, particularly multinational corporations and non-governmental organizations, as well as different interest groups (businesses, trade unions, professional and trade associations, civil rights organizations). However, from our consideration of PPPs in global governance, we should exclude lobbying. Lobbying is aimed at obtaining some goods and services by different interest groups. It attempts to influence the actions, policies, or decisions of public officials in order to obtain goods or services that serve particular interests of a minority at the expense of the majority. In our vision, based on the classical idea of good governance, to fulfill a policy function which is the goal of PPP should always be a common good rather than a benefit of a minority.

Public-private partnerships (PPP) as governance tools have been around for quite a while in domestic affairs. However, it is only recently that they have become the objects of consideration beyond the nation-state. The reason is the growing importance of non-state actors in international affairs. They are considered in the international relations (IR) literature by some authors as potential partners of national governments and international organizations in structures of global governance (Reinicke 1998; Cutler, Haufler, and Porter 1999; O'Brien et al. 2000; Reinicke and Deng 2000). These authors argue that once the concept of Public-Private Partnerships is applied to international affairs, this can lead to a significant solution to a whole variety of problems of governance beyond the nation-state. PPPs can lead to the increase of both the effectiveness and the legitimacy of global governance in terms of democratic participation and accountability.

First, I first present an overview of the types of relationships between public and private actors that can be applied to global governance. Second, I raise the questions of their potential benefit and responsibility. Third, I make a proposal for a new model of global governance that involves both public and private actors.

Types of Public-Private Partnerships

What are the existing forms of PPPs in international affairs? I build on the useful classification of Tanja Börzel and Thomas Risse (Börzel and Risse, 2007) and distinguish the following types.

1. Co-optation of private actors

This is currently the most common and at the same time weakest form of PPP applied to international affairs. By co-optation of private actors, governments and international organizations incorporate representatives of private businesses and non-governmental organizations as members of their delegations in rule-setting and rule-implementation. These private entities provide expertise and sometimes also moral authority and legitimacy to norm, rule and decision-making procedures. As Börzel and Risse stress, "in many cases, co-optation has resulted in striking influence by non-state-actors in international treaty-making" (Börzel and Risse, 2002: 6). An example is Amnesty International, which has established itself as a moral authority and a reliable source of knowledge in the area of human rights. Because of this position it has shaped may international rights agreements (Korey 1998). Also, during the negotiations on banning antipersonnel mines, the NGO International Campaign to Ban Landmines had received a formal observer status, including the right to make proposals and suggest changes in the treaty. Finally, through co-optation, some multi-national corporations have got access to international negotiations and have been thus able to influence the policies of such international organizations as International Monetary Fund, Word Bank or World Trade Organization (O'Brien et al. 2000).

2. Delegation of certain functions to private actors

States and international organizations can delegate certain functions to non-state, private actors. This assumes the form of contracting out public services or of relying on private expertise concerning standardization. As an example of the latter, the NGO's International Organization for Standardization (ISO) and European Committee for Standardization (CEN) are private entities to which, for expertise and efficiency reasons, setting technical standards has been delegated. As an example of the earlier, the UN and EU frequently contract out the provision of humanitarian aid, health services, and others functions to charities, churches, NGOs and other private entities.

3. Involvement of private actors in rule-making as equal partners

Non-state actors become legitimate and equal partners in the making and implementation of international rules. Business associations and trade unions constitute negotiating partners at the International Labor Organization (ILO). Another example is the World Commission on Dams (WCD). It consists of national governments, the World Bank, firms, and INGOs (Khagram 2000). The Transatlantic Business Dialogue (TABD) represents a forum in which firms negotiate trade and investment regulations for the transatlantic area under the auspices of the U.S. government and the EU Commission (Cowles 2000).

4. Adoption and consent of self-regulation of private actors

International organizations and national governments sometimes allow and even adopt self-regulation of private actors. For example, when the WTO had developed a code of ethical and scientific standards, the International Federation of Pharmaceutical Manufacturers Association independently adopted a Code of Pharmaceutical Marketing Practices, which has become an international standard (Ronit and Schneider 1999). Adoption is often triggered by the lack of effective international norms and rules. In the absence of an international legal system, private regulations may then become "publicly sanctioned" (Lehmkuhl 2000). An example of a state-adopted private regulation is Internet domain names. Private regulations and an IO-sponsored system of domain names competed for a while. In the end, private regulations won and were then adopted word-wide by national governments. Does the public adoption of privately negotiated regulations does still qualify as a public-private partnership? The involvement of public actors is here purely ex-post. They have control over output since national governments and international organizations cannot be forced to adopt private regulations.

5. Sharing in global governance by private actors

Governance is a way of governing, which is non-hierarchical and involves various actors, who participate in policy making. Today's global governance is based on the idea of international society, formed by nation-states, who join international organizations, particularly the UN. The future global governance may involve non-state actors as well, for example in the form of a United Citizens Organization, which I shall discuss later in the text.

The brief overview of the types of transnational relationships between public and private actors shows that even if they are not fully employed yet, PPP arrangements in international affairs have a great potential. They may be utilized for service provision, especially development and humanitarian aid, setting ethical, scientific, technical and environmental standards, setting economic and security policies, and resolving issues related to human rights and strengthening civil society. Further, they can contribute to global governance. I shall now address the question of their benefits and responsibilities.

Potential Benefits of Public-Private Partnership

In the existing literature we can find arguments in support of PPPs in international affairs. First, their supporters argue that they can increase world problem-solving capacity. In those areas in which public actors have only limited human and material resources, non-state actors can come to the rescue. Sharing re-sources between public and private actors, for example in such areas as environmental research, international development or humanitarian aid, can increase the capacity of governments and international organizations to solve specific problems (Wolf 2000). Second, non-state, private actors can serve as knowledge providers for public actors. In the human rights area, for example, the regular provision of information by the NGOs to national governments and UN human rights committees has greatly improved the public knowledge of human rights violations and has increased compliance with international human rights norms (Risse, Ropp, and Sikkink 1999).

Another support of PPPs in international affairs comes from those who link effective problem-solving with deliberative democracy (Bohman and Regh 1997). They claim that involvement of those who are affected by rules in the deliberative process of rule-making could lead to better decisions in the form of a *reasoned consensus* rather than a *bargaining compromise* (Scharpf 1997; overview in Risse 2000). By bringing in additional information and expert knowledge, private actors could contribute to the identification of possible ways of handling problems and make public actors become open to deliberation and consensus (Brühl et al. 2001). At the same time, this would enhance the democratic legitimacy of decision-making process (Reinicke and Deng 2000).

Therefore, it is believed that, by participation in international rule making and in solving world problems, non-state actors—both for-profit private companies and non-profit sector, representatives of so called transnational civil society (Florini 2000)—could eventually help to remove the democratic deficit and provide greater accountability and transparency to governance beyond the nation-state. It could enhance the participatory and democratic nature of the process of international rule and policy making.

Nevertheless, some objections can be raised. Participation of non-state actors may not make international rule-making processes more democratic if this participation is selective. This applies to both for-profit and non-profit organizations. Which MNCs and NGOs should participate? As MNCs and NGOs are not generally elected, they cannot legitimately claim to represent the public interest. It is also because MNCs tend to be self-interested and often narrowly profit oriented, and NGOs tend to be self-selected and elite-driven (Keohane and Nye 2001). Thus PPPs involving MNCs and NGOs world also raise questions of selection and exclusivity.

Whether or not PPPs increase our world problem-solving capacity and make international relations more democratic depends on some conditions. First, we can ask how inclusive or exclusive the PPP arrangements are. The more exclusive they are, the less accountable and the less transparent they become. However, inclusive PPP arrangements might lead to reduced effectiveness. In other words, a trade-off between legitimacy and effectiveness might arise. Second, we can ask about the state and non-state actors' social responsibility. Whether PPPs could solve effectively world problems and remove the democracy deficit from global governance depends on whether they would act as socially responsible actors.

Responsibilities of Actors Involved in Public Private-Partnerships

Professional responsibility is often treated as defining a set of obligations related to professionalism itself: obligations to the particular client's interests and to the needs of society at large (Fenwick 2013: 3). It overlaps with ethics. If we apply the concept of responsibility to institutions, and particularly to nation-states, social responsibility is the commitment by organizations to respond ethically to social concerns. This ethical response can be associated with acting for the public or common good, rather than solely for one's own particular good. It is the basis of the classical distinction between decent and deviant forms of government. Whereas the latter serve the interests of some minority groups at the expense of the rest, the latter earlier serve the interests of the whole society. They contribute to citizens' security, prosperity, vitality and general happiness.

Although the post-Weberian concept of the state puts an emphasis on coercion and the legitimate use of force, in the more classical understanding the state has an important ethical role as well. It is a defender and organizer of society, responsible for its survival and well-being. Politics, the art of governing, "is the ability to actualize a good life for a society" (Korab-Karpowicz 2017: 1.2). The same concept of a good life or of prosperity can be applied to the whole of humanity when we consider the idea of global governance. Ultimately, its goal is not to benefit any particular groups, organizations or even countries at the expense of others, but it must work for the sake of peace and prosperity for all.

'Global governance' refers to collective efforts to identify, understand, or address worldwide problems that go beyond the capacities of individual states to solve" (Weiss, 2009: 257). Whereas government implies a hierarchical relationship between the rulers and the ruled, as we have already mentioned, governance implies a non-hierarchical relationship between actors who participate in the rule-and policy making process. Applied to global affairs, governance is the golden mean between the international anarchy of nation-states unrestrained by any laws and the centralized and hierarchical rule of world government. While world government eradicates state sovereignty, different models of global governance, to begin with international society, can preserve it and engage states and non-state entities in cooperation in solving world problems.

Global governance is then the type of world order that is produced when states, international organizations, and non-state actors participate voluntary in discussing, making and implementing of norms and rules that bind them all. However, if global governance is to be more effective and more legitimate, it must be based on responsibility of all actors involved in it. Without this responsibility PPPs could become neoliberal solutions in disguise. They would amount to the privatization and de-regulation of formerly public services, with the primary aim of mere private profit.

For PPPs to work in international affairs all actors involved must develop a sense of social responsibility. This would be more than a social responsibility for one's company, organization or nation, but a cosmopolitan responsibility for all humanity. On such cosmopolitan responsibility a new model of global governance involving PPPs can be based.

Private-Public Partnerships' Contribution to Global Governance

Will PPPs increase our world problem-solving capacity and make international relations more legitimate and democratic? The current weakness of the UN and other international organizations is that national governments do not always support them. This becomes evident given the enduring lack of material resources of the international organizations. As a result, many international resolutions and initiatives that could potentially benefit humankind could not be put into practice. The function of PPPs in global governance would then be (1) to minimize unilateral and potentially damaging responses to world problems by individual state actors moved by their narrow national interests, (2) to collect re-sources and provide burden-sharing between public and private actors, (3) to increase the knowledge base (scientific and other) of public actors in various governance matters, (4) to provide a greater legitimacy to international rule-making and world problem solving.

Accordingly, global governance based on PPPs does not necessitate the replacement of the present state system with a world state or the election of a new global authority. The latter has, in a limited form, already been provided by the United Nations. My proposal is to add to the current global governance model based on the UN a new component: Public-Private Partnerships. They can be institutionalized, for example in the form of a United Citizens Organization (UCO).

If the UN can be compared to an international higher house or senate, and the UN security council to a council of state, the UCO, whose representatives would come from different MNCs and NGOs, could be compared to a lower house. Like a lower house they would be able to engage in deliberation and making of international rules, and to propose solutions to world problems. The presence of for-profit MNCs and non-profit NGOs in the same chamber would result in deliberation and bargaining, and eventually lead both parties to reasonable compromises. Further, thus institutionalized non-state actors would be able to exert effective pressure on national governments, so that they would support beneficial initiatives that could facilitate a positive world transformation. While wielding power that at present none of the MNCs or NGOs represent, it would be a life promoting and enhancing instrument of world society through which a more humane world could be achieved.

While the problems of selection and representation pertaining to the presence of MNCs and NGOs in the United Citizens Organization need still be discussed and solved, the participation of non-state actors – both for-profit and not-for-profit – would increase the democratic character and the legitimacy of global governance. To the current international society, whose members are states united in the UN and other international organizations, it would add a new element of world society or transnational civil society, whose members are all people on Earth.

Conclusion: Levels of Governance and the United Citizens Organization

The actual picture of the world includes both old and new threats such as poverty, cross-border crime, terrorism, global warming, energy scarcity, and so on. These threats are magnified by the widening spread and quickening pace of globalization. To deal effectively with them, one has to work on many levels of governance. It is unlikely that the current state-system that is the defining feature of today's international order is a merely transitory phenomenon and that it will soon disappear. States perform important functions. They are defenders and organizers of societies, and if they cannot perform these functions will, we call them weak or even failed states. However, to curb potential states' egoism, their acting with a view to their interests alone and without respect for other states' interests and the interests of the whole international community, they must be involved in networks based on cooperative values. This has been partially achieved by the building of international society based on the UN and other international organizations. The next step toward a more sophisticated global governance that I am now proposing is to expand global governance to world society by including the United Citizens Organization, based on representatives of MNCs and NGOs. Nation-states that are linked to others by international institutional and economic ties, and whose activities are overseen by non-state actors become important focal points of security and community.

There are different communities and social levels at which individuals can relate to each other: family, local community, nation, and world society. These communities serve various functions in human life, and therefore they all have their validity. World society, which includes all humanity, cannot replace any nation or substitute for national identity, but it can add a new element to our relationships, namely humanitarian fellowship and cosmopolitan responsibility. The existence of its organization—the United Citizens Organization, based on non-state actors and grounded in cosmopolitan responsibility—postulates that we should regard others as our fellow human beings and that, in addition to being responsible family members, employees or citizens, we should also feel responsible for what happens to any other person who lives on Earth. In short, the existence of the UCO, representing world society, requires from us that we neither do harm to others nor be indifferent to other peoples' suffering. It obliges us to defend and enhance life against those forces that are destructive of life, and to exert pressure on governments, so that they not only look to their national interests, but also support international organizations and consider the welfare of all humanity.

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Policy Recommendations by the UAE Public Policy Forum on the Future of PPPs in the UAE

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Summary of the Recommendations from the UAE Public Policy Forum 2018

1. Developing a National UAE PPP Strategy
2. Establishing a PPP Knowledge Center
3. Creating a Sub-national (Local) PPP Government Unit
4. National PPP Regulatory Framework and Law
5. Ensuring Transparency in the PPP Ecosystem

1. Developing a National UAE PPP Strategy

Public Private Partnerships in the UAE are rapidly growing in scale, scope and impact. However, these partnerships are not necessarily embedded within a unified national strategy, but rather are designed and implemented in isolation within each sector or each geographic locality. This lack of holistic approach to PPPs usually lead to misallocation of resources and misalignment of priorities on the national level. For these partnerships to better contribute to the government's future vision and lead to long-term sustainable development, a country-wide PPP strategy is required at the national level. Such national strategy can essentially become a developmental roadmap for the government towards expanding PPP contribution to the country's vision, while setting priorities and aligning with long-term national plans. A national PPP strategy can effectively serve as a classification framework for policymakers to enable assessment of priority areas where PPPs can contribute best to developmental agendas, drive innovation and enhance the quality of government.

2. Establishing a PPP Knowledge Center

The expanding number of PPPs in the UAE is coupled with increasing complexity and triggering multifaceted direct and indirect impact on the country's government, economy and society. The expanding ecosystem of PPPs is experiencing ever-changing transformations, creating numerous best practices as well as multifaceted challenges and pitfalls. There is a severe lack of data, information and knowledge around PPPs in the country, coupled with scattered expertise across local and federal government institutions, as well as private sector entities. There is no one size-fit-all when it comes to solution or PPP-triggered challenges or the policy responses required to address the complex implications of the many types of PPPs on local and national levels. Establishing a knowledge center that enables data gathering, documentation of best practices and experiences, analysis of challenges as well as coordination of expertise across PPP sectors would ensure the sustainable development of PPPs in the UAE. It will also serve as a foundational knowledge creation center for future policy formulation, providing evidence, documented use cases and analysis of different sectors in society, affected by PPPs, in addition to providing templates and tools that can contribute to creating efficiencies in the PPP ecosystem.

3. Creating a Sub-national (Local) PPP Government Unit

As the UAE marches steadily towards the government of the future, local governments need to prepare for an expanding number of public-private partnerships (PPPs). They need to ensure that these are well designed and managed, and that they provide return on investment for all sides, and more importantly, generate public value. Setting up a central PPP unit at the heart of government is one global best practice as identified by an expanded research conducted by the MBRSG. This unit can provide oversight and guidance at every stage of the PPP process. For this to succeed, four factors will need to be addressed by the government: 1) the government must clearly establish the functions, roles and boundaries of the PPP unit, 2) it should recruit highly qualified experts who can provide technical knowhow and help train and prepare a cadre of other government officials, 3) it should be located at a central position within each local government on the Emirate level, where it can use the local Emirate's experience around PPPs, and 4) following global best practices, ideally the PPP unite needs to be associated with the local Department of Finance to give it sufficient strength, and to help coordinate PPP activities across other government departments.

4. National PPP Regulatory Framework and Law

On a national level, there is a regulatory gap in terms of legal frameworks governing PPPs. This invites inconsistencies on the regulatory structures when managing PPP projects. In turn, this generates several layers of confusion among public and private entities engaged in PPP, and creates a space for misguided, and sometimes unlawful, practices within large-scale PPP projects. Introducing a clear national regulatory framework is required. Such a framework may necessitate a comprehensive national law that governs the different layers of PPPs across industries and government levels. For example, while local levels PPPs may be addressed through local regulations, there are numerous cross-Emirates entities which are affected by the creation of large-scale PPPs in the country, including SMEs, start-ups, entrepreneurs, family businesses, as well as societal community structures. Some of these may be affected negatively by the creation of large-scale PPPs within their local jurisdictions, as well as in other Emirates. A national level regulatory framework should enable addressing the emerging issues related to the different stakeholders affected by the emerging PPPs across the country.

5. Ensuring Transparency in the PPP Ecosystem

At a global level, public-private partnerships have, in some cases, led to inefficient, unethical, and even unlawful behaviors. Some of these behaviors have had negative effects including disadvantaging small businesses, creating unfair competition, allowing for biases in service delivery and policy implementation towards segments in society, as well as leading in some cases to corruption. Such negative implications of PPPs are usually coupled with information asymmetry and lack of transparency, which is usually the most important enabler of unlawful activities and misguided behaviors associated with PPPs. The previous three recommendations, namely 1) creating a PPP knowledge center, 2) creating an organizational arrangement for PPPs on a local level, through PPP Government Unit, and 3) creating a national level legal framework and law for PPPs; all contribute to ensuring better transparency around PPPs operations in the UAE. Additionally, other actions by the government can influence better transparency in the PPP ecosystem and avoid the negative activities and practices, usually associated with PPPs. These include for example, linking PPP operations with Open Government Data frameworks, data laws, as well as tax reporting systems, developing auditing, evaluation and reporting systems related to how PPPs are awarded and other information related to PPP projects. Collectively, the previous recommendations should contribute to the informational, organizational and regulatory reform and sustainability of PPP projects in the UAE.

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