Partnership for Development

Partnership for Development: Alternative Approaches to Poverty Alleviation in Bangladesh

By

Nilufa Akhter Khanom

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To my family

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List of Acronyms

Acronym	Full Title
ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
AGM	Assistant General Manager
AMC	Ahmadabad Municipal Corporation
ASA	Association of Social Advancement
BARD	Bangladesh Academy of Rural Development
BBS	Bangladesh Bureau of Statistics
BRAC	Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Board
CBN	Cost of Basic Need
CBOs	Community-Based Organisations
CCDA	Centre for Community Development Assistance
CDC	Community Development Council
CIRDAP	Centre on Integrated Rural Development for Asia and the Pacific
CVD	Comprehensive Village Development
DCI	Direct Calorie Intake
DGM	Deputy General Manager
DS	Deputy Secretary
DSS	Department of Social Services
DWA	Department of Women's Affairs
FD	Finance Division
FIMS	Financial and Information Management System
FMS	Financial Management System
FSVGD	Food Security for Vulnerable Group Development
GDP	Gross Domestic Product
GK	*Gonoshahasthaya Kendra*
GM	General Manager
HDI	Human Development Index
HDR	Human Development Report
HIES	Household Income and Expenditure Survey
HNP	Health and Nutrition Programme
HPI	Human Poverty Index
ID	Institutional Development
IG	Income-generating
IGA	Income-generating Activities
IGVGD	Income Generation for Vulnerable Group Development
LGUs	Local Government Units
MC	Micro Credit

MDGs	Millennium Development Goals
MFIs	Micro Finance Institutions
MD	Managing Director
MoA	Memorandum of Agreement
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPI	Multidimensional Poverty Index
MRA	Microcredit Regulatory Authority
MWCA	Ministry of Women and Children's Affairs
MWCI	Manila Water Company Incorporated
NER	Net Enrolment Rate
NGO	Non-Government Organisation
NNP	National Nutrition Programme
NPM	New Public Management
NWSDP	National Water Supply and Drainage Board
PFI	Private Finance Initiatives
PKSF	Palli Karma Shahayak Foundation
PLDP	Participatory Livestock Development Programme
PIO	Project Implementation Officer
PO	Partner Organisation
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
RID	Rural Infrastructure Development
RMC	Rural Micro Credit
SDI	Society for Development Initiatives
SSNP	Social Safety Net Programme
Tk.	Taka [Bangladeshi Currency]
TPSB	*Tubig Para Sa Barangay*
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UN	United Nations
UNO	*UpaZilla Nirbahi* Officer
UP	Union *Parishad*
US	United States (of America)
VGD	Vulnerable Group Development
WAO	Women Affairs Officer
WFP	World Food Program
YD	Youth Development

CHAPTER ONE

INTRODUCTION: THE PROBLEM OF POVERTY

Poverty has been identified as one of the world's biggest problems. The international community recognises that reducing global poverty is one of the major development challenges of the twenty-first century (World Bank 2000, p.1; World Bank 2001). It was estimated that in 2009, 1.8 billion people lived on less than US$2 a day (UNESCAP-ADB-UNDP 2010, p. i); and in 2010, 1.4 billion people lived at or below the level of US$1.25 per day (UNDP 2010a). Furthermore, the World Bank reported that the developing world is poorer than it was thought (Chen & Ravallion 2008, p. 9).

A variety of measures have been adopted over the years for reducing poverty. Currently, the attack on poverty is spearheaded by the Millennium Development Goals (MDGs) set by the United Nations. The first goal of the MDGs is: 'eradicate extreme poverty and hunger' (UNDP 2002, p. 2). The targets are to take action between 1990 and 2015 to reduce by half the proportion of people living on less than a dollar a day, and reduce by half the proportion of people who suffer from hunger (UNDP 2007). In response, some countries and regions have made remarkable progress in attaining the first goal of the MDGs. For example, the proportion of poor people living on less than US$1 a day fell from 20.8% in 1990 to 6.8% in 2004 in South East Asia (United Nations 2007, p. 6). However, the proportions of poor people living on less than US$1 a day are still very high in some regions. For example, in 2004, the percentage of people living in Sub-Saharan Africa on less than US$1 a day was 41.1 (United Nations 2007, p. 6). In the Asia-Pacific region in 2009, it was estimated that there were 903 million people struggling to live on less than US$1.25 a day (UNESCAP-ADB-UNDP 2010, p. i) and yet more than a half (51%, or 844 million people) the world's multidimensionally[1] poor live in South

[1] The multidimensional poverty identifies multiple deprivations in the same households, in education, health and standard of living (Alkire & Santos 2010).

Asia, and more than a quarter (28% or 458 million) live in Africa (UNDP 2010a).

The problem of poverty is particularly severe in Bangladesh. Bangladesh is one of the most densely populated countries in the world, with an estimated 164.4 million people living in an area of 147,570 square kilometres, and with approximately 5% of households classified as landless. As estimated in 2010, the average annual population growth rate was 1.4%; the Gross Domestic Product (GDP) real growth rate was 5.7%; infant mortality rate (per 1000, at live birth) was 56; child malnutrition (for children under 5) was 48%; and the percentage of population that had access to improved water sources was 74% (http://www.wordlbank.org.bd and http://www.devdata.worldbank.org/AAG/bgd_aag.pdf).

The Human Development Index (HDI) ranked Bangladesh at 129 among 182 countries in 2010; the population with an income below US$1.25 a day was at 49.6%, and that falling below the national poverty line was 40% in 2005. Table 1.1 shows comparative data on poverty in South Asia and clearly reveals the enormous problem of poverty in Bangladesh, even as compared to neighbouring countries, although Nepal may be worse.

TABLE 1.1: COMPARATIVE DATA ON DEVELOPMENT AND POVERTY IN SOUTH ASIAN COUNTRIES

Country	**Bangladesh**	**India**	**Nepal**	**Pakistan**	**Sri Lanka**
HDI ranking in 2010 out of 182 countries	129	119	138	125	91
Percentage of poverty headcount in MPI* in 2008	57.8	55.4	64.7	51	5.3
% of population below National Poverty Line	40.0 in 2005	28.6 in 2000	38.8 in 2004	32.9 in 1999	22.7 in 2002
% of population with incomes below US$1.25 a day in 2005	49.6	41.6	55.1	22.6	N.A

* Multidimensional Poverty Index (MPI)
Sources: UNDP (2010b)

The Government of Bangladesh sets out the country's broad national development agenda to reduce poverty. The government has been particularly concerned with the high incidence of poverty and has taken various initiatives for poverty reduction. Since the independence of Bangladesh in 1971, the Government has implemented a wide range of programmes for combating poverty. These have included programmes of different government ministries and departments, non-government organisations, and international donor agencies. Some important government programmes are the poverty and rural development programmes of the Bangladesh Rural Development Board (BRDB), Comprehensive Village Development (CVD) Programmes of the Bangladesh Academy of Rural Development (BARD) in Comilla, and Social Safety Net Programmes (SSNP) implemented by different ministries and departments. In addition to these government programmes, to achieve the national development goals, several NGOs have developed substantial programmes for poverty reduction. For example, there are the microfinance programmes of major NGOs, such as the Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and *Proshikha.* Although these programmes have had some success in poverty reduction, they are not sufficient to attain the targets of the MDGs. More innovative and effective approaches than the existing programmes are required to reduce poverty in Bangladesh.

Public-Private Partnerships (PPPs) are seen as a significant and alternative approach to the government initiatives for reducing poverty in Bangladesh. It is assumed by several scholars and international donor agencies that PPPs are effective for poverty alleviation, since PPPs increase benefits through collaboration, effective uses of NGO resources, and enhanced efficiency. Firstly, through collaboration PPPs increase resources for poverty alleviation as they combine the resources of the different PPP stakeholders, leading to a potentially greater impact on poverty. Secondly, governments can enhance different poverty alleviation programmes by utilising additional resources, such as those of NGOs and private sector organisations. With these new combinations of desired resources it is anticipated that overall effectiveness in the pursuit of the goal of poverty alleviation will be enhanced. For example, NGOs are seen as major participants in PPPs for poverty alleviation as they are seen to have several strengths by scholars. Some are better innovators than government, some are better popular mobilisers than government, and some are better implementers than government (Bebbington and Farrington 1993, p. 200). Thus, NGOs are able to enhance efficiency, effectiveness and responsiveness (Brinkerhoff 2002a, p.19-20). They have the ability to involve communities and grassroots organisations more effectively in development programmes (World Bank 1991, p. 136) and NGO staff have better local knowledge of local needs and priorities (Siddiqi & Oever 1998 and Caplan 2001). Therefore, PPP can be a significant approached in reducing poverty by utilising all these strengths of NGOs in PPPs.

Finally, in the case of Bangladesh, several NGOs such as the Grameen Bank, BRAC, the Association of Social Advancement (ASA), and *Gonoshahasthaya Kendra* (in English *The People's Health Centre)* (GK) have made remarkable success in poverty alleviation, microcredit, non-formal education, and primary health care in Bangladesh. These success stories of government-NGO partnerships have encouraged different donor organisations like the World Bank to advocate increasing partnerships involving NGOs in poverty alleviation (World Bank 1996), and to replicates the successful examples of government-NGO partnership programmes throughout the country for sustainable development (World Bank 2000, p.58). These strengths and successes have also encouraged government to be involved in the PPPs with NGOs for poverty alleviation in Bangladesh. Thus, by recognising PPPs as an innovative and effective approach to poverty alleviation, the government of Bangladesh has adopted a strategy of seeking collaboration from NGOs, especially to address the challenges of poverty alleviation (*Bangladesh Economic Review 2007*, pp. 169-172). There are several PPP programmes for poverty alleviation in Bangladesh including the Income Generation for Vulnerable Group Development (IGVGD) of SSNP, Rural Micro-credit programmes (RMC) of the PKSF, Participatory Livestock Development Programme (PLDP), Rural Infrastructure Development (RID), Youth Development and National Nutrition Programme (NNP) (*Bangladesh Economic Review 2008, 2009*). Among these, the IGVGD and the RMC are designed to address direct income poverty as well as human and social development issues. This research addresses this major policy issue by examining the novel arrangements of the IGVGD and the RMC PPP, and how these approaches can assist in alleviating poverty in Bangladesh. However, PPPs are relatively recent arrangements in Bangladesh, and there has been limited research on this strategy, thus this research attempts to evaluate the IGVGD and RMC PPP approaches.

Significance of this Research

Many donors are vigorously promoting PPPs for poverty alleviation, believing they will provide good results. However, as PPPs are a relatively recent arrangement for poverty alleviation, there has been limited research on this particular strategy. The World Bank (World Bank 1999, p. 91) and the Asian Development Bank Institute (ADBI) (ADBI 2000) have both called for further research and analysis of partnerships for poverty alleviation by researchers and practitioners. The theoretical case in favour of PPPs needs to be proven empirically. Additionally, there is a great need to delineate and evaluate PPP arrangements in Bangladesh, since there have been few studies on such partnership arrangements and their impacts there (Ahmed & Rafi 1997; World Bank/IDA 1999; Matin, Sulaiman & Rabbani 2008). This research helps to identify the organisation, implementation, and effectiveness of PPPs in poverty alleviation in Bangladesh. It explores opportunities and constraints to the success of PPPs and through facilitating our understanding of PPPs we can determine how they may contribute more to poverty alleviation. While the country focus of this research is Bangladesh, the research results and analysis may provide insight into the use of PPPs for poverty alleviation elsewhere.

Aims of this Research

This research aims to explore different PPP arrangements for poverty alleviation in Bangladesh and to evaluate their performance and effects. There are five main aims of this research. First, to find out the rationale, features and mechanisms of the PPPs for poverty alleviation in Bangladesh, and also examine a range of literatures on the subject from which a model is developed, focusing on PPPs. The second aim of this research is to evaluate the performance of the IGVGD and RMC PPPs for poverty alleviation. The researcher sought the views of key stakeholders and beneficiaries to see how they perceived the effects and performance of the IGVGD and RMC PPPs—whether they were successful and what the measures of their success were. Third, this research aims to discover the effects of the IGVGD and RMC PPPs on poverty alleviation by measuring the changes in economic, social and human development of the beneficiaries. The fourth aim is to explore the opportunities and constraints of the PPPs for poverty alleviation by identifying factors that assist in establishing the PPPs and facilitate their success and performance, as well as the factors that are impeding success and performance. Finally, this study aims to formulate guidelines to overcome the constraints and to make the PPPs more effective for poverty alleviation.

In order to achieve the aims, this research was guided by four major questions:

1. What are the rationale, features and mechanisms of the PPP arrangements that have been set up in Bangladesh for poverty alleviation?
2. How do different stakeholders view the performance and effects of PPPs for poverty alleviation? Are the PPPs successful for poverty alleviation in Bangladesh?
3. What are the different factors that facilitate the establishment, performance and success of the PPPs? Are there any constraints that hinder the performance and success of the PPPs for poverty alleviation in Bangladesh?
4. How could the PPPs be more effective for poverty alleviation in Bangladesh?

Structure of the Book

Following this introductory chapter, this book will proceed as described below:

Chapter 2 focuses on the general literature on PPPs. First, it deals with the origin and early activities of PPPs, followed by the defining features of PPPs. Second, it presents several examples of pro-poor PPPs in developing countries. Third, it deals with the arguments surrounding why PPPs are thought to be effective for poverty alleviation. Finally, a model of PPPs for poverty alleviation in Bangladesh is developed and presented.

Chapter 3 describes the poverty and development situation in Bangladesh. After presenting a brief history of the country, the chapter deals with the development status and challenges of Bangladesh, particularly in health, education, gender equity, water and sanitation, and poverty. Finally, two specific PPP programmes for poverty alleviation in Bangladesh, the IGVGD and RMC, are summarised. It also presents the methodology for this research, which is a case study approach. Two cases were selected for study, and the mixed method was utilised for the collecting and analysing of data. Both qualitative and quantitative data were collected and analysed separately for each case and then compared.

Chapter 4 explores the rationale, features and mechanisms that operated in each case—the IGVGD and the RMC—from interviews with key persons who were involved in the policy-making. This chapter also discusses the design and implementation of the different PPP programmes for poverty alleviation in Bangladesh.

Chapter 5 sets out the data on the performance and effects of PPPs for poverty alleviation. The information is comprised of different stakeholders' views, including key persons in design and implementation, as well as the beneficiaries.

Chapter 6 presents findings on the effects of the IGVGD PPP on poverty alleviation using data gathered from interviews with key informants and beneficiaries, surveys of the beneficiaries, and participant observation.

Chapter 7 presents the findings on the effects of the RMC PPP on poverty alleviation. These include data from the interviews of the key informants and beneficiaries, and then the survey responses of the beneficiaries. The chapter also includes findings derived from participant observation.

Chapter 8 presents the findings from the interviews with the key respondents on how PPPs for poverty alleviation in Bangladesh could be improved and made more effective.

Chapter 9 analyses the empirical findings of this study referring especially to the model of PPPs for poverty alleviation in Bangladesh developed for this research and the literature presented in Chapters 2 and 3. First, there is a discussion of the rationale, features and mechanisms of PPPs, followed by a discussion on the performance and effects of the IGVGD and RMC PPPs. Finally, the chapter examines how PPP programmes for poverty alleviation in Bangladesh could be improved to become more effective by analysing different opportunities and constraints to the IGVGD and RMC PPPs.

Chapter 10 presents the conclusion of this research study. It includes a summary of the findings based on the research questions outlined in Chapters 4 to 8.

CHAPTER TWO

PUBLIC PRIVATE PARTNERSHIPS (PPPS)

This chapter focuses on the literature on PPPs and is organised around several fundamental issues. It deals first with the origin and early activities of PPPs, then with the question of defining PPPs. Next, consideration is given to PPPs in developing countries and why PPPs are thought to be effective for poverty alleviation. Finally, the chapter presents a model of PPPs for poverty alleviation in Bangladesh; the model has been developed specifically for this research.

The Origins of PPPs

At the most basic level, PPPs are long-term cooperative institutional arrangements between public and private actors set up for the achievement of various purposes. In the 1980s, privatisation of services, as well as deregulation and New Public Management (NPM), characterised a new paradigm of administrative reform and a redesign or 'reinvention' of the government's role in development. At the centre of that policy reform was a cut-back of public sector expenditure, a delegation of responsibilities to the private-for-profit sector and fostering of voluntary engagement aimed at providing local public goods (Mitchell-Weaver & Manning 1991). The re-evaluation of the structure and function of governments for providing public goods was driven by the argument that hierarchical bureaucratic forms of organisation were inherently inefficient and that the introduction of the market mechanisms would substantially enhance the efficiency of public service delivery (Hood 1991; Moore 1996). PPPs emerged as an element of this new policy agenda (IMF 2004). The concept of PPP itself dates back to the early 1980s, when Margaret Thatcher and Ronald Reagan assumed political leadership in the UK and the US respectively (IMF 2004), but it was in the 1990s that PPPs flourished as a tool of public policy across the world (Osborne 2000, p. 1).

The early PPPs were established mostly in rich countries and involved a wide range of social and economic infrastructure projects. The United Kingdom was the country that placed the most emphasis on PPPs, especially using Private Finance Initiatives (PFI) of the Conservative Government (Falconer & McLaughlin 2000, p. 120) to develop and operate traditional public service assets, including schools, hospitals, prisons, courts, police stations, public housing, transport infrastructure, support systems, and leisure centres (IMF 2004, p. 37). The PPPs, as key elements of the UK government's PFI programme, were involved in different forms of cooperation between the public and private sectors. In 2003, the PFI was responsible for about 14% of public investment, and was responsible for projects in most key infrastructure areas (IMF 2004, p. 5).

PPPs were also introduced into European countries. Reflecting a need for infrastructure investment on a large scale and the weak fiscal positions of the governments, countries in Central and Eastern Europe embarked on programmes that used PPPs to deal with their fiscal shortfalls (IMF 2004, p. 5); for example, roads and national highways in the Czech Republic, Hungary, and Poland (Grimsey & Lewis 2004). Many continental European Union (EU) countries, including Finland, Germany, Greece, Italy, the Netherlands, Portugal, and Spain, have since utilised PPP arrangements for infrastructure projects (IMF 2004, p. 5).

Australia was an early entrant into PPPs, as it embraced the market principles for providing public services. The Australian federal and state governments became involved in PPPs from the early 1990s. Since then, PPPs have been used for projects such as major toll roads, hospitals, prisons, schools, utilities and sporting facilities; for example, the Sydney Harbour Tunnel, the Melbourne City Link, and the Hawkesbury Hospital (English 2005).

PPPs have been introduced in the USA too, generally taking the form of purchase-of-services contracts, where government entities buy services from non-profit contracting agencies (Moulton & Anheier 2001, p. 10–12). PPPs have most often been set up as contractual agreements involving a government agency contracting with private companies to renovate, construct, operate, maintain and/or manage a facility, such as schools and hospitals (US DOT 2004, p. 10).

The most common approaches to project delivery in infrastructure in developed countries are Build-Operate-Transfer (BOT), Build-Transfer-Operate (BTO), Build-Own-Operate (BOO), Design-Build-Operation (DBO), and Build-Develop-Operation (BDO) (IMF 2004; US DOT 2004; Grimsey & Lewis 2002). The general arrangements of BOT projects have the private sector design and finance, and then run and maintain for a concession period. The private sector partner receives income from running the infrastructure (for example, toll road, electricity generation) during the concession period and, after the expiry of the concession period, the legal ownership of the project is transferred to the government. There are also some other types of PPP arrangements, such as leasing, joint ventures, and operational and management contracts (Grimsey & Lewis 2005).

PPPs and Traditional Public Procurement

A fundamental question that arises in connection with PPPs is how they are different from the traditional public procurement practices of government. In the infrastructure sector, private companies have long been involved in building roads, hospitals, schools and public buildings through traditional procurement. Traditional procurements are contracts for the provision of capital assets. In most cases, these are separated from contracts for operation and maintenance of the assets and thus, in traditional public procurement the private suppliers are mostly not responsible for operation and maintenance after the period of contract. For example, under traditional procurement, the public sector body may enter first into a Design-Build (DB) contract, engaging a private sector firm to design and build a facility in accordance with requirements determined by the government. After the facility is completed and paid for, the government assumes responsibility for operating and maintaining the facility. PPPs, at the most basic level, are contracting arrangements between public and private organisations which mostly take responsibility for the design and construction of a component of new infrastructure and take over a long-term lease or concession over existing assets; and a long-term contract to operate and manage the infrastructure. With PPPs, these separate arrangements are combined into one contract and a private sector entity charged with providing, not a building, but a flow of infrastructure services over time (Grimsey & Lewis 2007).

PPPs are different from traditional procurement in regards to responsibilities and accountabilities. Grimsey & Lewis (2005b, 2007) argue that the difference lies in different levels of responsibility and accountability. PPPs place the responsibility for supplying, maintaining and operating the infrastructure on the same entity and regulated in one long-term contract. In most traditional procurement, the government takes responsibilities for operation and maintenance after completion of the construction. This integration of responsibility in PPPs gives the private supplier an incentive for overall cost effectiveness from the provision of infrastructure to its maintenance and operation. In addition, through the long-term contract for operating and managing projects, PPPs are able to transfer financial and functional risks from the government to the private sector. It is also prominent in non-infrastructure services, such as cleaning, gardening or catering, which have been procured from private companies for years. Other services are procured especially in western countries such as Australia, e.g. recruitment and payroll. Such transfer of risks is not possible within most traditional procurement, since, there is no specified guideline regarding the responsibilities and accountabilities of private suppliers after transferring the facility to the government in most traditional procurements. The next section deals with the diversity of definitions in PPPs.

Defining PPPs

The diversity of PPPs is reflected in the academic literature; different authors have adopted different emphases when defining and delineating the essential features of PPPs. To explore this differentiation and to illustrate the variance in PPP arrangements, ideas, and claims of contributing authors, four broad emphases in the definitions of PPPs have been identified for discussion. These are: tools of governance or management, tools of financial arrangements, tools of development process, and pro-poor PPPs.

PPPs as Tools of Governance or Management

A popular way of defining PPPs is as a tool of governance or management. The dominant theme is that PPPs provide a novel approach to delivering goods and services to citizens, the novelty being the mode of managing and governing (Hodge & Greve 2005, p. 3). The authors who lean towards this approach tend to focus on the organisational aspects of the PPP relationship.

There is some agreement about inter-organisational arrangements in most of the literature concerning PPPs. First, both public and private organisations are involved in PPPs. Second, PPPs involve cooperation between these public and private actors. The third aspect commonly identified is the sharing of risks among the participating actors or organisations. Risk sharing is viewed as an important incentive for both the public and private actors, since it is assumed that risk sharing could benefit both. The fourth feature is that in PPPs a partnership involves a long-term commitment, over a number of years. However, there is no agreement of the specific number of years. Finally, these types of cooperation can result in some new and/or better products or services that neither the public nor the private participants could produce alone.

A wide range of different features of inter-organisational relationships of PPPs have been identified by the Dutch public management scholars Van Ham & Koppenjan (2001, p. 598). They defined PPPs as cooperation of some sort of durability between public and private actors, in which they jointly develop products and services, and share risks, costs and resources that are connected with these products. In their definition, they first underline the necessary involvement of both public and private actors. It is assumed that government organisations are public actors, although there are several levels of public organisations, such as central government, state government and local government. Private stakeholders can include a variety of actors. For example, NGOs, community groups and international donor agents can be among private actors in addition to for-profit organisations. While Van Ham & Koppenjan (2001) did not specify the range of private actors, some literature does attend to this issue. For example, the Commission on PPPs, UK (2001) included voluntary sectors in PPPs as private stakeholders to bring about desired public policy outcomes. Stratton (1989) and Salamon (1995) also included ‘business and non-profit sectors’ as private sector stakeholders in PPPs.

The second area of agreement among those who emphasise governance and management in their definitions of PPPs, is the ‘cooperation’ between public and private actors. For example, Broadbent and Leaughlin (2003, p. 332), Carr (1998, p. 1) and Bovaird (2004, p. 199) all emphasised the cooperative aspects of PPPs. However, most definitions do not go into detail on the characteristics of cooperation.

The third area of commonality is that this type of cooperation has some sort of ‘durability’ and that PPPs cannot be ‘short-term’ contractual agreements. Various terms are used to highlight this temporal feature of PPPs. For example, Klijn & Teisman (2000, 2004, 2005) talked about PPP cooperation as ‘sustainable’, and Greve (2003, p. 59) saw PPPs as ‘long-term’ cooperation. It is assumed from these terms that PPPs may not take place for a short-term period. However, there is ambiguity in this terminology of ‘durability’ as there are no hard-and-fast rules about how long a PPP must be to satisfy minimum requirements. Thus, some PPPs involve arrangements for 20 to 25 years, while other PPPs are for only five years (United Nations 2005a). Therefore, although PPPs are long-term arrangements, there are variations in the durations.

The fourth relates to the arrangement in governance and management, and concerns the emphasis on risk-sharing as a vital component of the relationship. Both parties in a partnership have to bear part of the risks involved. Supporting Van Ham & Koppenjan (2001, p. 598), other authors have emphasised the shared risks as well as the benefits of PPPs. For example, Klijn & Teisman (2000, 2005) described PPPs in which joint products and/or services are developed, and in which risks, costs, and profits are shared (Klijn & Teisman 2000, 2005); the Commission on PPPs, UK, defined them as risk-sharing relationships (2001, p. 2). Regarding risks, most of the literature has focused on finance, although there might be some other risks involved in PPPs, such as managerial risks, social and political risks, and natural risks.

The final commonality in governance and management emphases on PPPs is that as they jointly produce a product or a service, both stand to gain financially as well as producing better goods and services from mutual effort. In the case of developed countries, the goods and services are mostly related to infrastructure, since most literature on PPPs in developed countries has concentrated on PPPs involved in infrastructure building (Grimsey & Lewis 2004; Greve 2003). However, in the case of developing countries, the jointly produced goods and services might be different, since many PPPs in developing countries are involved in social service delivery and utility services, although there have been numerous PPPs involved in infrastructure. For example, PPPs in developing countries are involved in health services, water and sanitation, and even poverty reduction (United Nations 2005a; World Bank 1999). The range and extent of jointly produced goods and services by PPPs varies from country to country, and even within the country. It depends on the needs of the country, the demands of its citizens and the interests of the stakeholders.

PPPs as Tools of Financial Arrangements

At the heart of all PPP inter-organisational relationships are the financial arrangements. PPPs promise to reduce pressure on government budgets because they use private finance. They are also thought to provide better value for money in the provision of public infrastructure and services by using more efficient budget processes. Several definitions of PPPs have incorporated financial arrangements as a key distinguishing feature (Blondal 2005; Webb & Pulle 2002; Savas 2000; Evans 2003). One definition that emphasises the financial relationships of PPPs in infrastructure is provided by Campbell (2001, p. 5, cited in Hodge & Greve 2005). He sees PPP projects as generally involving the design, construction, financing and maintenance and, in some cases, the operation of public infrastructure or a public facility by the private sector under a long-term contract. Other literature has highlighted the issue of sharing and the involvement of different stakeholders in financing across a spectrum of activities. For example, after surveying 117 different public-private partnership projects between 1998 and 2000 at local government levels in Sweden, Collin (1998) and Collin & Hansson (2000) identified financial arrangements between different stakeholders as one of the most important features of these PPPs. These authors defined PPPs as arrangements between municipalities and one or more private firms where all parties were involved in sharing risks, profits, utilities and most importantly, investments through joint ownership (Collin 1998, p. 79; Collin & Hansson 2000, p. x). There are several financial aspects to this definition. First, it emphasises the sharing of financial risks and any ensuing profit. Second, it underlines the joint ownership of organisations through financial investment. Finally, the most important aspect is the financial investment made by all organisations. Sellgren (1990) identified the financial involvement in terms of funding from more than one agency, instead of all organisations in a PPP. Tillman (1997, p. 30) extended the PPPs funding partners to include international organisations such as the World Bank, although it is not clear whether international organisations are involved only as financers. For example, the Asian Development Bank (ADB) and the World Bank are financing some PPPs in Bangladesh through the Government of Bangladesh (PKSF 2010). The financial contribution of partners in PPPs varies according to factors such as the activity, the sector and the different capacities of the partners. Thus, large private-sector organisations most often provide the funding for different types of PPPs, as participating governments frequently lack such capital. For example, the Government of Bangladesh and different international donor agencies are involved in the RMC Programme of PKSF for rural poverty alleviation in Bangladesh (PKSF 2007).

PPPs as Tools of Development Process

PPP is now well accepted as an organisational arrangement for development (Agere 2000, p. 68; Paoletto 2000, p. 30; Osei 2004). The prominent argument is that PPPs maximise benefits for development through the collaboration of different actors (World Bank 1999) and provide enhanced efficiency (Brinkerhoff 2002; Brinkerhoff & Brinkerhoff 2004). Certain features of PPPs are seen as particularly suitable for the development process. Thus, from its studies of PPPs in Asia-Pacific, the ADBI defined PPPs for development as: ‘collaborative activities among interested groups and actors, based on a mutual recognition of respective strengths and