The delivery of employment services by PPPs and how these PPPs have responded to changing labour market conditions are explored in Chapter Four. Chapter Five seeks to reflect on the previous two chapters and discuss lessons learnt in the use of PPPs in APEC member economies when using PPPs to address local skills shortages and in delivering employment services.

In Chapter Six, the use of PPPs by international organisations is highlighted with case studies such as the International Labour Organization and the World Bank.

2 DEFINING PUBLIC-PRIVATE PARTNERSHIPS

2.1 What is a Public-Private Partnership?

A number of countries are beginning to use PPPs for the provision of services traditionally delivered by the public sector. Research suggests governments are attracted to such partnerships because of value for money, gains from innovation and access to improved services.

There is no common agreement on a single meaning of a public-private partnership (PPP). It is often used to describe a range of activities that involve some type of relationship between the public and private sector. However, the most common usage of the term relates to PPPs as a method of procurement that involves the use of private sector capital to fund an asset that is used to deliver outcomes for a government agency.

PPPs can be broadly described as any partnership between a government party and a non-governmental party to deliver a service that traditionally would have been delivered primarily by the government.[5] Traditionally, a delivery mechanism for infrastructure and services would involve government controlling all aspects of infrastructure development, maintenance and delivery of services. In this option, there is no private-sector involvement. On the other end of the scale, there is no public sector involvement.

A key component of a PPP is the utilisation by government of an area of the private sector or community that specialises or possesses expertise in the delivery of a service area.[6] The government also engages in transferring, in a responsible manner, areas of risk associated with the delivery of a service. Outsourcing or contracting out of government services is a method used to capture the more desirable features of the free market for use in the delivery of more competitive government services.

Central features characterising a PPP:

- a medium to long term relationship between a range of partners based on shared aspirations;
- the sharing of risks and rewards;
- a contribution of resources among all partners; and
- aims to deliver outcomes and services in the public interest on a continuously improving basis.[7]

A definition of PPPs is provided by Barbier *et al* in their paper *Public-Private Partnerships in Employment Services*.[8] They define PPP as a voluntary and collaborative partnership between organisations that are public (government) and private (non-government). Both organisations in this type of partnership agree to work together to achieve a common goal or work together to complete a specialised task.

For this report, we have chosen the Barbier *et al* understanding of a PPP as it includes collaborative and voluntary types of partnerships that can be used in the providion of labour market and employment services programs, as well as the traditional purchaser-provider models. Using a broad definition lets us share and explore different and valuable information on PPPs to meet the needs of different types of economies within the APEC region.

2.2 Types of Public-Private Partnerships in the delivery of labour market and welfare policies and programs

The nature of PPPs can differ depending on the needs of each individual partnership.

Barbier *et al* (2003), discusses two main types of PPPs. The first type of PPP is a *purchaser-provider model*, a contractual partnership. In the context of labour market assistance the *purchaser-provider* model involves the contracting out of a government employment service. A *purchaser-provider model* is most often used for labour market program activities engaging contractors in private organisations. Private organisations can be either for-profit or non-profit.

Government money is used to achieve public policy goals, but the service delivery is provided by a non-government organisation and the government retains the dominant role as the planner and overall manager of the program. The choice of services to be contracted out in the *purchaser-provider model* is made to find service providers who complement, not directly compete, with services provided by the public sector.[9]

The second type of partnership is *collaborative*. This is often the exchange of information to assist job placement or labour exchange activities. This may also include the communication of broader information on general labour market conditions. This cooperation is often non-financial, each partner gains because private organisations increase rewards for private placements, and the result supports general government employment policy goals with reduced public cost.

There are also many partnerships that fit in between the two types of partnerships outlined above. These can occur for example, where a government provides grants to the private sector to undertake pilot projects to deliver certain labour market outcomes, such as Australia's 'Tapping into Experience' project discussed in Chapter 3.

2.3 Transfer of Risk

The delivery of employment services has traditionally been the realm of government. However, PPPs have increasingly become a way for the delivery of employment services to become a more risk-sharing relationship between government and the private sector and to increase the quality of services to the public.

A PPP is a business partnership based on risk sharing and strengthening specialist knowledge in the private sector by government. PPPs are not 'privatisations' but more a business and risk-sharing partnership with agreed goals in achieving public policy results.

An advantage of PPP use is the transference of risks by the public sector to a private business that has professional experience in managing the type of specialised service required. Since the early examples of PPPs in Australia, payment mechanisms have become more sophisticated, with greater emphasis on balanced judgement of risk transfer, rather than maximum risk allocation. There is now more recognition that risk should be allocated between both the public and private sector to those parties best positioned to manage and control specific risks. This approach attempts to achieve value for money and to minimise the consequences if they do arise.

2.4 Accountability and Sustainability in Public-Private Partnerships

Without a well planned accountability framework, private organisations that deliver public services endanger their ability to best reflect the needs of service users. Accountability is therefore an end as well as a means. We interpret this as valuing both the process and outcomes of accountability to have equal weight.

PPPs should base their approach to accountability on three principles: transparency, responsibility and responsiveness. *Transparency* is the adopting and publishing with the highest level of disclosure of the activities of the partnership. The second principle is *responsibility*, which involves clearly defining responsibilities of the partnership and partners and publishing this. The third principle is *responsiveness*, which involves providing opportunities for sectors and members in the community to respond to a partnership's work and reacting accordingly. While these three principles were developed with specific reference to strategic service delivery partnerships, they can be applied to all PPPs.

Building relationships, meaningful discussions and genuine cooperation between partners in PPPs can lead to clearer and more realistic performance measurements. This can also help in better engagement by both partners to achieve results, a foundation for continuing communication to improve results, and a better ability for learning and development.

There are a range of challenges facing organisations in seeking innovative solutions to achieve business outputs and outcome goals. The International Labour Organization (ILO) highlights the importance of sustainability (economic, environmental and social) of PPPs by ensuring the best use of resources by each member of the partnership. The ILO suggests that such a commitment and understanding will have a large impact on the reward achieved by the partnership.[10]

2.5 Effective Public-Private Partnerships in the APEC region

There are many interpretations of what constitutes a public-private partnership, and also the laws and regulations that surround the governance of a PPP. There also is much debate surrounding the usage of PPPs in the delivery of social and employment services. Questions about accountability, and appropriateness of PPPs in an economy that is still maturing its political and economic structures often arise. There are many examples of larger-scale PPP usage in developed economies (and outside of APEC) as well as successful and growing PPPs of a smaller nature in less developed economies that provide valuable benefits to their local communities and economy.

Successful PPPs do appear to all have one quality in common: they are a mutually beneficial partnership by two or more organisations that identify themselves as different to each other, but have identified areas of overlap in their organisational goals. Successes gained from the partnership are mutually beneficial.

In the following chapters, this report will examine different forms of PPPs in the case studies taken from responses to a questionnaire provided to APEC economies, and research completed by the Australian Government. These case studies and research by the Australian Government formed the foundation to the 2008 APEC Symposium on *Developing Effective Public-Private Partnerships: Meeting the Needs of the 21st Century Workforce*.