



**UNDERSTANDING
EFFECTIVE PUBLIC –
PRIVATE PARTNERSHIPS IN
AGRICULTURE**

Dr. CJ Jones
Country Director, KENYA
GAIN

What is a PPP?

.... An agreement between the government and one or more private partners (operators and financiers) according to which the private partners (works with government to) deliver a service in such a way that the ... delivery objectives of the government are aligned with the profit objectives of the private partner and where effectiveness of the alignment depends on sufficient transfer of risk to the private partner (OECD, 2008, pg.17)

Less Talk, More Action On PPP Needed

While there is a great deal of talk about how the private sector could work with African governments to begin to roll back Africa's huge gap (in agricultural investment), very little is actually happening

Finance ... is not the problem; **the problem is a lack of trust between the private sector and governments.**

If **trust** is the issue how do we even begin to build effective, sustainable and mutually beneficial PPP relationships for agriculture?

Building Success

Understanding VALUE - optimizing risk for both the public and private sector

Overcoming the 'trust' dilemma

What should be and what should not be a PPP?

- The seven secrets to success

The double edged 'panga' of the 'trust' dilemma!

- Too often partners misunderstand the **value** of the investment to each other – this leads to mistrust and suspicion – failure!

For the public partner mistrust starts when 'shared value' for the private sector is simply seen as profit, the bottom line, shareholder returns for their private sector partner

For the private partner mistrust rests on the fact that the public sector partner has a political agenda and is entirely dependent on public goodwill to stay in power – the investment is little more than a cynical exercise to stay in power

PPP's can fail because of the perceived personal risk

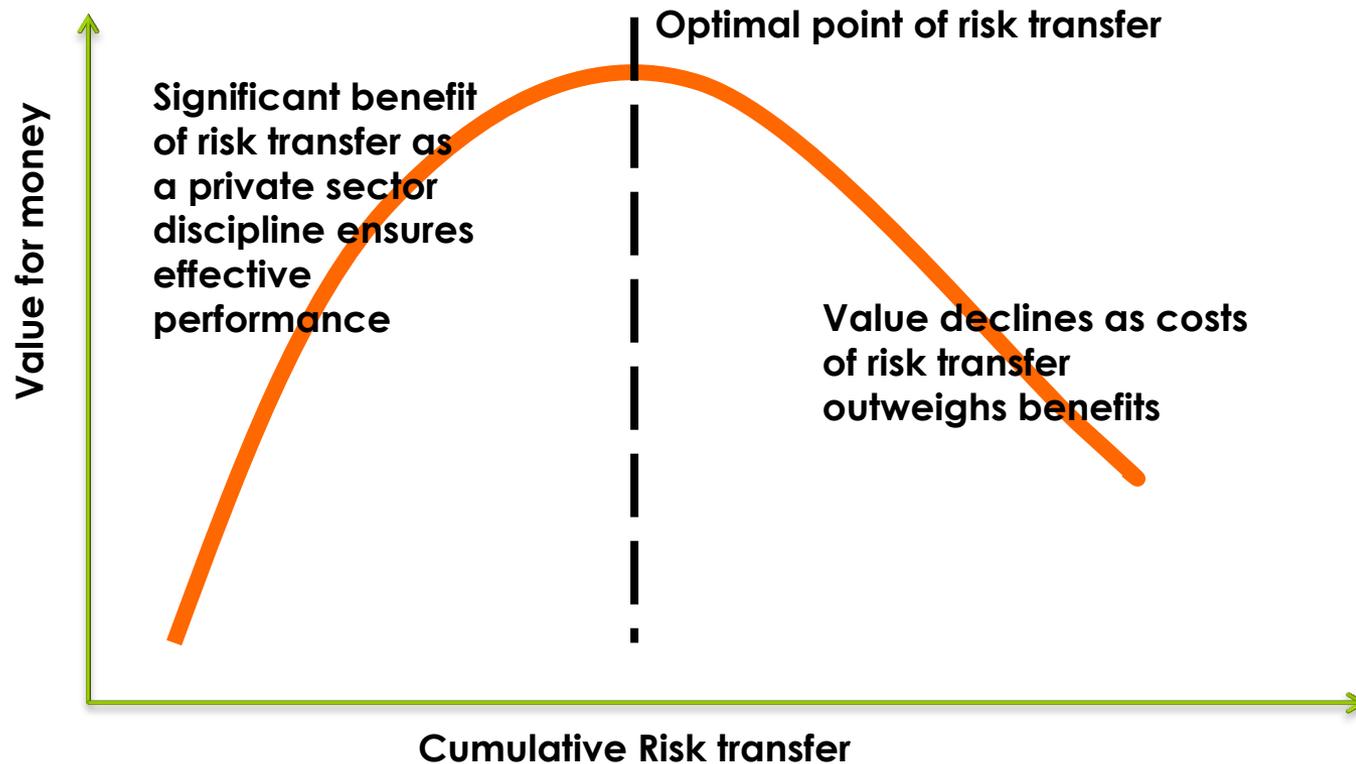
- For a public servant the perceived risk of 'breaking the rules' will outweigh the benefits for delivery of a better result

CONTRAST

- For the private sector actor an innovative idea is more likely to see potential reward - the balance with the risk of failure is easier

If we understand **risk** in a PPP we can start to build trust

Optimizing Risk transfers to maximize shared value



To solve the trust dilemma we must start in the right place

- **PPP's only work where both parties feel like they benefit and the expected benefits are made clear in advance**
- In PPP's the benefits have to reflect clear **shared** value – they do not advantage one partner over the other
- A PPP is not a simple service delivery contract – there is obligation on **both** parties to deliver something to each other and then to the beneficiaries of the investment – the public and the shareholder
- In agriculture a PPP should not be about delivering fertilizer and seeds but rather about bigger infrastructural issues



Building Success

Understanding VALUE – optimizing risk for both the public and private sector

- Overcoming the ‘trust’ dilemma: What should be and what should not be a PPP?

The seven secrets to success

Why create a PPP?

PPP's are an ambiguous mechanism balancing social entrepreneurship with commercial entrepreneurship

Understanding the risk/reward balance

REWARDS

- Higher operating efficiencies
- Better service/quality/reliability
- Most cost effective use of public money on other services (ie creating subsidies and safety nets for the vulnerable)
- Better value for money
- Transfer or sharing of risk
- Transparency

VERSUS

RISKS

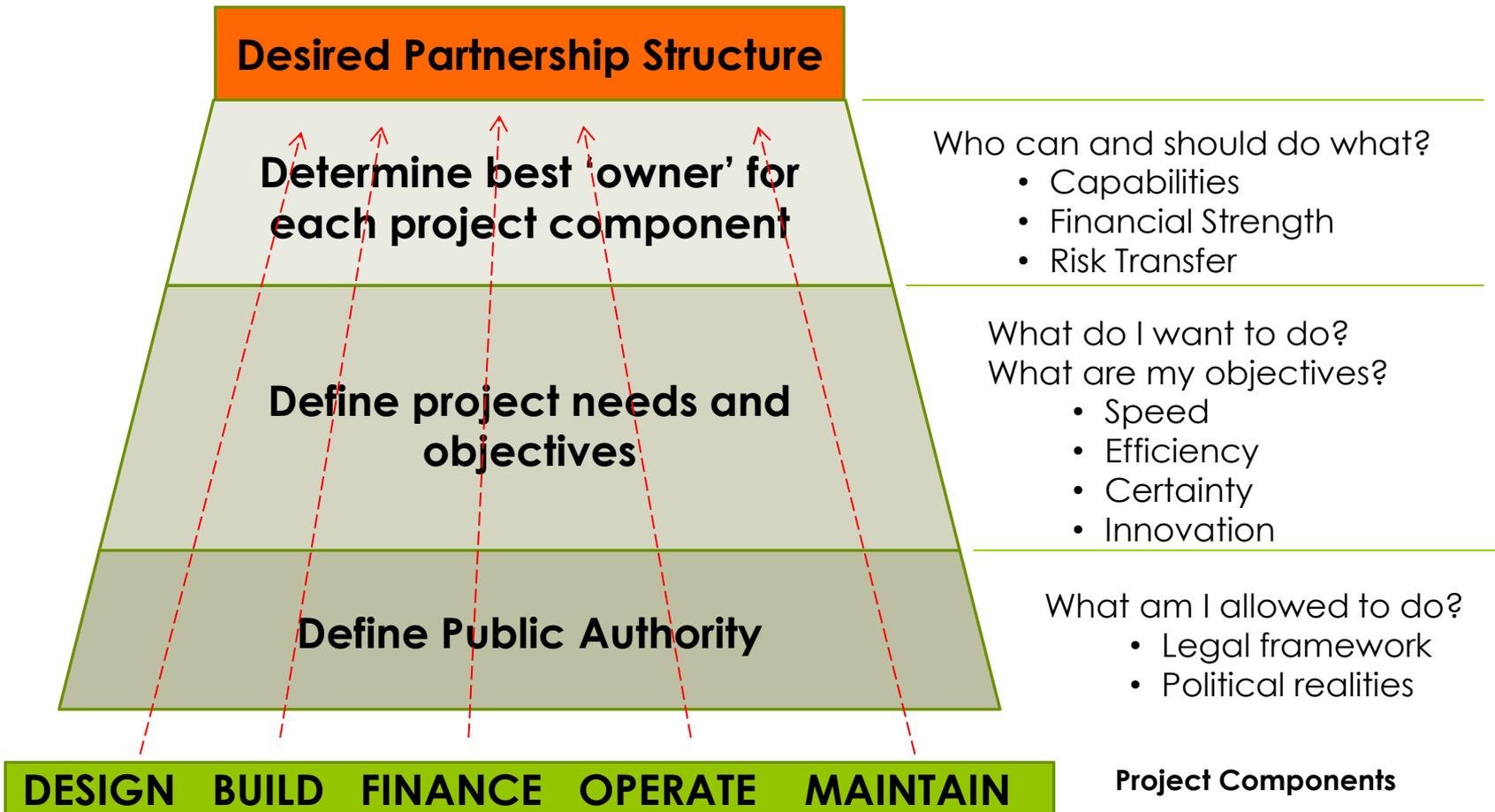
- Objectives not aligned and 'value' is not shared – relationship is exploitative
- Risk not fairly apportioned and partners fail to fully co-operate

Seven steps to success

- Alignment of objectives
- Effectiveness of communications
- Clarity on decision making
- Clarity on accountability
- Right skills in the right place
- Partnering behavior of leaders
- Responsive ways of working

Archer and Cameron, SOCIA, 2003

Before a PPP is considered we must bring clarity to the situation: One way to do this is to start with the premise that we “partner for value”



The Hard Bit

Partnering Behaviors

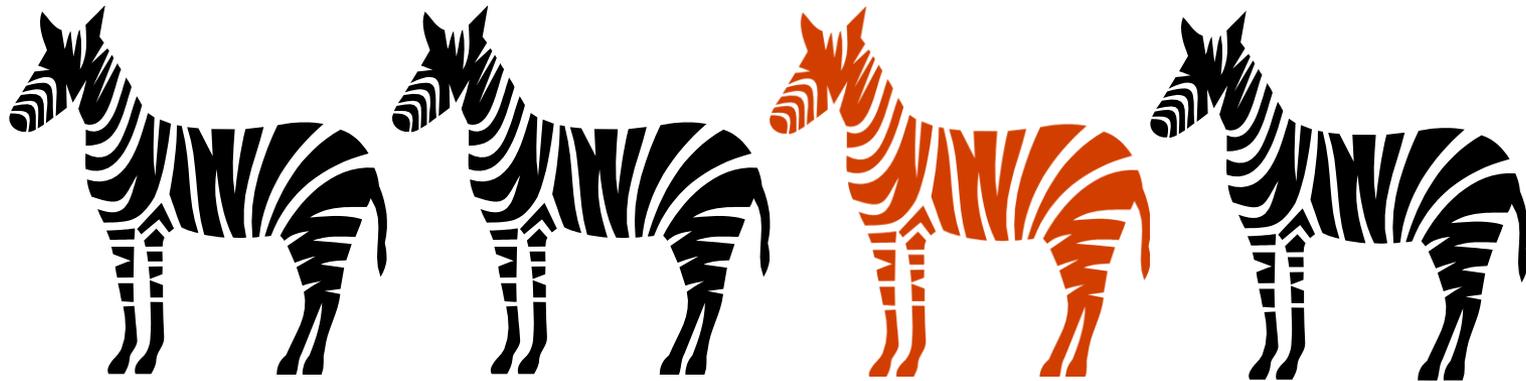
PPP success rests with the quality of the partnership and the attention paid to partnering behaviors

Good partnering behaviors are established when **ALIGNMENT** of objectives is clear from the start.

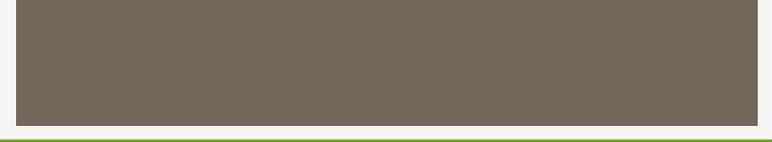
To alignment we must :

- Communicate
- Finding a higher common purpose

... and finally when developing a sustainable PPP, that shares value equitably we must remember



.....It's OK to be different



THANK YOU