



# ROLE OF PARTNERSHIP BETWEEN PUBLIC AND PRIVATE SECTORS IN SERVICES DELIVERY

# IMPORTANCE OF PARTNERSHIP BETWEEN PUBLIC AND PRIVATE SECTORS

- Governments are no longer able to meet growing demands for services by working independently. Also, it is not possible to rely on governmental expenditures alone when establishing public services and basic infrastructure
- Public institutions started to seek assistance of other sectors of society to fund, establish and operate projects.
- Partnership between public and private sectors is a viable alternative to privatization by making use of strengths in both sectors.

# STRENGTHS OF THE TWO PARTNERS

## Private sector has:

- Modern and creative methods in management and business management
- Initiative spirit
- Focus on clients needs
- Interest in improving human resources

## Public sector has:

- Legal authority
- Wide perspective and balanced goals to meet societal needs
- Committed staff, but with restricted energies
- Capital is available but with fully unexploited resources
- Environmental awareness

## BENEFITS OF PARTNERSHIP

- Optimal use of both sectors strengths
- Addressing delays in governmental funding and reducing public capital investment
- Increased amount of available resources and creating of new job opportunities, directly and indirectly
- Expedite pace of social and economic growth
- Provide better public services by contributing to improving quality of services.

# BENEFITS OF PARTNERSHIP

- Improve efficiency of public utility operation and quality of local development projects
- Transfer of modern technology
- Revenues to come from the project to the governmental sector after completion of the project, providing additional revenues.



# WHAT DOES THE PUBLIC SECTOR EXPECT FROM THE PRIVATE SECTOR?

- Provide agreed-upon services
- Provide agreed-upon investment
- Fulfill obligations (goals and standards)



# WHAT DOES PRIVATE SECTOR EXPECT FROM THE PUBLIC SECTOR

- Create a favorable environment for partnership and investment attraction (prepare the legal framework for this partnership)
- Pay agreed-upon fees and charges
- Increase fees in an agreed-upon manner
- Prevent unexpected competitiveness from other parties



## WHAT DOES SOCIETY EXPECT FROM THE PARTNERSHIP BETWEEN THE PUBLIC AND PRIVATE SECTORS

- Provide proper level of services
- Provide services for reasonable charges, whether direct fees or taxes.



# EXAMPLES OF PARTNERSHIP METHODS BETWEEN PUBLIC AND PRIVATE SECTORS

## **Operational partnership:**

- Service contracts
- Management contracts
- Rental contracts

## **Investment Partnership**

- Build, operate and transfer (BOT) contracts
- Build, operate, own and transfer (BOOT) contracts.
- Other types of contracts.

# EXAMPLES OF CONTRACTING BETWEEN PUBLIC AND PRIVATE SECTORS

<b>BOT</b>	Build, Operate and Transfer
	Build, Own and Transfer
<b>BOO</b>	Build Own and Operate
<b>BOR</b>	Build, Operate and Renewal of concession
<b>BOOT</b>	Build, Own Operate and Transfer
<b>BLT</b>	Build, Lease and Transfer
<b>BRT</b>	Build, Rent and Transfer
<b>BTO</b>	Build, transfer and Operate
<b>DBFO</b>	Design, Build Finance and Operate
<b>DCMF</b>	Design, Construct, Manage and Finance
<b>MOT</b>	Modernize, Own Operate and Transfer
<b>ROO</b>	Rehabilitate Own and Operate
<b>ROT</b>	Rehabilitate Own and Transfer

# METHODS OF PARTNERSHIPS BETWEEN PUBLIC AND PRIVATE SECTORS

Method	Ownership	Management	Investment capital	Commercial risks	Contracting period
Service contracts	Governmental	Public and private	Governmental	Governmental	1-3 years
Management contracts	Governmental	Private	Governmental	Governmental	3-5 years
Rental contracts	Governmental	Private	Governmental	Both sectors	5-15 years
Privilege contracts	Governmental	Private	Private	Private	25-30 years
Long-term utilization contracts	Governmental and private	Private	Private	Private	20-30 years
Conveyance	Governmental and private	Private	Private	Private	not limited with a period

# STEPS OF PARTNERSHIP PROCESS

Formation of partnership			Implementation of partnership		
Identification of needs	Feasibility study	Planning	Contracting	Implementation	Management
<ul style="list-style-type: none"> <li>• Identify need and circumstances (crisis, deficit, ..)</li> <li>• Collect information and identify priorities</li> <li>• Identify importance of partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Market study</li> <li>• Economic analysis</li> <li>• Risk analysis</li> <li>• Obstacles analysis</li> <li>• Alternative analysis</li> <li>• Identify goals of partnership</li> <li>• Identify feasibility of partnership</li> </ul>	<ul style="list-style-type: none"> <li>• Taking stakeholders opinion</li> <li>• analysis of political and legal climate</li> <li>• Develop the budget and implementation plan</li> <li>• Identify best way of implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Project announcement</li> <li>• Identify the best partner</li> <li>• Identify the best form of contracting</li> <li>• Negotiation</li> <li>• Contracting</li> </ul>	<ul style="list-style-type: none"> <li>• Financing</li> <li>• Design</li> <li>• Construction</li> <li>• Management</li> </ul>	<ul style="list-style-type: none"> <li>• Follow-up</li> <li>• Evaluation</li> <li>• Development</li> <li>• capacity building</li> <li>• Dispute settlement</li> </ul>

# PARTNERSHIP AND PRIVATE INVESTMENT

The concept of partnership is closely connected to private investment; thus, improvement of the investment environment will improve opportunities of partnership between the public and private sector.

## **How to improve partnership climate?**

To improve partnership sector with the private sector, some main elements should be available. These elements are connected to improving investment climate.

**Question:** Is the Investment law enough to create an environment that attracts investment?

# HOW TO PREPARE FOR INVESTMENT CLIMATE?

There are five elements that help in creating investment climate and encourage investors to engage in partnership:

1. Institution authorities and power
2. Government environment
3. Economy in general
4. Ability of the government to implement policies at all levels
5. Social capital.

# ELEMENTS OF INVESTMENT CLIMATE

## **First: security and stability**

- General Security
- Partial stability of economy
- Execution of contracts and Judicial System
- Possession Rights

# ELEMENTS OF INVESTMENT CLIMATE

## Second: Funding and Infrastructure

- Easy access to financial and credit services
- Get access to public services (electricity, water, sewer, etc.)
- Availability of Infrastructure (communication, transportation, etc.)



# ELEMENTS OF INVESTMENT CLIMATE

## **Third: workforce and the Market**

- Availability of workforce
- Easiness of employment

# ELEMENTS OF INVESTMENT CLIMATE

## **Fourth: Organizational framework and taxes**

- Permits, licenses and registration
- Customs
- Policies and tax rates
- Tax management

## FINAL COMMENTS

- Partnership with the private sector aims at providing better services
- Successful partnership is in need to clear terms
- Successful partnership is associated with a good investment climate
- Local government is able to achieve successful partnership
- Partnership should be considered a necessity not nonessentials.

## NEXT STEPS

- Start reviewing existing policies, laws and instruction to determine when partnership can be applicable in the province?
- Start practical steps to create an attracting environment for investment
- Identify provincial needs for projects and services that the province can share with the private sector to provide better services to citizens
- Identify type of partnership and best way of contracting

THANK YOU



Iraq Governance Strengthening  
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