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Assessing Partnerships:
New Forms of Collaboration

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New Ways to Manage Series

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T A B L E   O F   C O N T E N T S

FOREWORD

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On behalf of the IBM Endowment for The Business of Government, we are pleased to present this report, “Assessing Partnerships: New Forms of Collaboration,” by Robert Klitgaard and Gregory F. Treverton.

In their report, Dean Klitgaard and Professor Treverton describe the concept of partnerships between organizations in the public, nonprofit, and private sectors. The report describes why public sector organizations should consider partnerships with nonprofit or private sector entities, and presents a detailed checklist that public sector executives can use to assess the costs and benefits of such partnerships.

Based on their analysis of recent trends in society, Klitgaard and Treverton conclude that the use of partnerships and collaboration is likely to increase in the decade ahead. If their assessment is correct, it thus becomes increasingly important for government executives to have a conceptual framework and criteria for deciding whether and when to engage in partnerships with organizations in other sectors. In this report, the authors provide such a framework and criteria.

We trust that this report will be both informative and useful to executives throughout government as they seek to better understand the concept of partnerships and when they should be used by the public sector.

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EXECUTIVE SUMMARY

Partnerships among government agencies, businesses, and non-governmental organizations (NGOs) are a growing reality. They are part of a long-term trend toward "hybrid governance," in which responsibility for "public" policy is mixed among public and private bodies in various combinations. These partnerships come in many shapes and sizes, but the focus in this paper are those that entail active collaboration, not just arm's-length regulation or incidental cooperation. Such partnerships can have a wide range of effects, both positive and negative. How can managers assess what forms of partnerships will lead to what advantages and risks? Can the key management challenges to making partnerships work be identified? What practical insights can be derived from theory? And how can analytical frameworks be turned into useful tools for a given institution to think through whether and how to partner?

Partnerships can be assessed from three perspectives. The first is would-be partners asking, "What's in it for me and my institution?" Here, it is useful to think through a checklist of advantages and potential risks, and then to focus on what kinds of "goods" are to be produced and what the three sectors—government, for-profit, and not-for-profit—bring as strengths.

From a second perspective, the question for managers, evaluators, or policy makers broadens to, "What are the effects on society of this partnership, compared to the alternatives?" A new set of possible benefits and costs must be appraised. There are also ways for assessing which goods and services should be provided by which partners. An insight from contract theory is also relevant. When a partnership embarks on a project to produce a public good, like education or a cleaner environment, the partner who values that good more highly should "own" the project, regardless of who made the initial investment.

The third perspective opens the aperture still wider to ask, "How can government and the private sector create a policy environment in which the right partnerships develop over time?"

The frameworks for the three perspectives offer insights for managers to ponder across partnerships as varied as developing new agricultural methods in Africa, moving welfare recipients to work, protecting the national infrastructure, and managing humanitarian relief operations. For example:

- Perspective 1 reveals the insight that classifying goods as public or private and asking which sector does best at delivering which good could make for better partnerships in fostering agricultural development in Africa. To enable new seeds to make a difference in Malawi, some parts of the solution belong to the government (funding research and development), some to the for-profit market (distributing new seed varieties), and some to nonprofits (mobilizing farmers to enable group credit).

- Perspectives 1 and 2 suggest that "ownership" in the existing partnerships to cope with international humanitarian emergencies is mismatched in terms of how much the individual partners value the good produced. That good is, for the international community, almost entirely a public one—some combination of lessened suffering and enhanced order. For the peacekeepers, and especially the United States, there is also some private good, in the form of enhanced stability. But what is striking is that the public goods are often more valued by the NGOs than by the participating nations and militaries. The NGOs ought therefore to own the operations, but they don't.
- Similarly, in protecting America's information infrastructure, the first thing a government manager notices is that while the public good of infrastructure protection is important, it is dwarfed by the private stakes of the infrastructure owners. That suggests that the for-profits probably should be the main "owners" of any protection system, and that the government will have difficulty getting into the game. Perhaps there is also a role for more organized participation, a kind of civil good, as a check on both the pursuit of profit by the infrastructure owners and the potential heavy-handedness of government involvement.

Introduction

We are entering an era of "hybrid governance," where the lines between the public, nonprofit, and private sectors are quickly eroding. A remarkable transition is under way in the institutions of government, the market, and civil society, especially in the United States but also around the world.

The transition is

- *from* layer-cake governance, where different tasks are taken on separately by different sectors (public, private, nonprofit)
- *to* marble-cake governance, with new forms of partnerships across sectors at all levels.

This transition raises a host of practical issues—what forms these public-private partnerships might take, when various kinds of partnerships are worthwhile (for each partner and for society), and how partnerships should be stimulated or constrained. This report outlines frameworks for better understanding these issues, uses these frameworks to assess partnerships, and suggests promising approaches for practitioners and researchers alike.

Partnerships: The Rage

"Partnerships" are the rage in the government, business, and nonprofit worlds alike. A recent RAND study found government respondents almost overwhelmed, especially after September 11, by the need to reach out to new partners, in government and out, at home and abroad.[1] In the blizzard of commentary, it is easy to be confused about the value and risks of partnership, all the more so because those partnerships come in many sizes and shapes.

Businesspeople talk of a "partnership craze," as described in the 2001 annual report of the World Economic Forum.[2] The CEO of Hewlett-Packard, Carleton Fiorina, told the Forum that companies are functioning more like living organisms in an ecosystem of other organisms. Corporations can no longer be self-sufficient. They must be constructed around partnerships.

David Komansky, former CEO of Merrill Lynch, noted how rapid this change has been. "For over a hundred years, Merrill Lynch never did a thing that wasn't strictly Merrill Lynch. In the past three to five years, [we] have developed more joint ventures and partnerships than you could count."

In international circles, too, the word "partnership" is popular.[3] In the past, but more so recently, it has been applied to both relations between rich and poor countries, and between donors and recipients.[4] More to our point, public-private-citizen partnerships are increasingly in vogue. The World Bank's James Wolfensohn has been among the most enthusiastic: "I cannot stress enough the importance of partnerships. The task ahead is too formidable for any single institution or set of institutions to tackle. Every one of us has a role to play. Halving poverty by 2015 is possible, but only if we concert our efforts in a new way."[5]

Partnerships Arise in Many Policy Areas

In this report, we consider areas of public policy, including international, that are addressed by government, business, and civil society trying to achieve together more than any one of them could achieve on its own. Partnerships are emerging in many areas of public life, and they pose challenging questions for potential partners as well as for policy makers. For example:

- *Better schools* are being forged through partnerships of communities and education providers, including public schools but also the private sector. Results-oriented education demands excellent evaluation, including better measures of quality, the design of incentive systems, and the design and management of public-sector/citizen/private-sector interactions. But how might we assess the many kinds of partnerships that have been formed between businesses, the schools, and parents' groups?

- *Health care* will become fairer and more efficient by becoming more client driven, more sensitive to competition, and more accountable for results. Again, it becomes crucial to forge and manage effective partnerships among the public, private, and nonprofit sectors, and the consumers of health care. But how might we assess the various kinds of institutional hybrids and overlaps that have arisen in our health care systems?

- From roads to water supply, from electrification to environmental projects, *infrastructure* increasingly involves partnerships of the public and private sectors in their design, finance, and management. Communities also play a key role in deciding what is done and how, and in monitoring progress. How should such partnerships be assessed?

- *International security* involves increasing sophistication in the ways of the private sector and in the management of military-business relationships such as privatization and outsourcing. "Operations other than war" involve the military in new kinds of relationships with civil society, government, international organizations, and business. Moreover, defense policy requires greater understanding of public-private collaboration to deal with terrorism, organized crime, and the vulnerability of the information infrastructure. What kinds of partnerships between businesses, communities, and government seem most promising for what kinds of security risks? What are the dangers and costs of such partnerships?

What's Driving the Rise of Partnerships

The rise of hybrid governance can be traced to several sources. One predominant driver is technology, including the communications revolution, which enables partnerships within and across borders.[6] While much has been written about the role of technology as a driver of change, another factor is equally critical—societal power is increasingly passing from government to the private sector, leading to a "market state."[7] For example, from 1983 through 1988, the ratio of "official" to private flows of capital to the poorer countries averaged just under 2:1. By 1991, the two were about equal. By 2000, the ratio had reversed dramatically, and was about 1:7 private over official.[8] For another context, each of the 10 largest companies in the world has annual total receipts larger than the GNP of 150 of the 185 members of the United Nations, including countries such as Portugal, Israel, and Malaysia.

The market respects neither the borders nor the icons of the traditional state. It does not care about a worker's national origin, gender, sexual preference, or veteran status. If the person can do the job, he or she is rewarded, and if not, not. "Made in America" is not a label of interest to the market. Nor are national cultural symbols of interest, except as marketing devices: Ask any American who has traveled and seen sweatshirts bearing English words that make no sense, or ventured to ask a foreigner wearing a Harvard T-shirt which class she was in, only to get a blank stare in return.

The circumstances of the market state are transforming the role of government—and the roles of business and civil society as well. The government of a traditional territorial state was a doer; students of public administration and public policy learned that government's choice was "make, buy, or regulate." For tomorrow's public managers, the triad will be “cajole, induce, or facilitate” (or “carrots, sticks, or sermons”[9]). Of course, all three may be involved simultaneously.

To these emerging partnerships, government will provide its power to convene, its infrastructure, its legitimacy, and its information or intelligence. But it will often rely on business and civil society to provide public goods and services. The shift in mind-set this will require of government can hardly be overstated. It will not come easily to governments that they must work with, and indeed sometimes for, CARE and Amnesty International, not to mention Shell and Loral.

These shifting roles will also challenge businesses and nonprofits. Both have been used to acting within a framework established by governments. Increasingly, they will be asked to take greater responsibility for shaping and implementing that framework. “Private” actors will be more and more responsible for “public” purposes, often in new and different partnerships with governments at various levels.[10] That responsibility, and the careful thought about partnerships it should entail, will run through issues ranging from welfare and school reform, to humanitarian relief operations, to the protection of America’s critical infrastructures.

Partnerships: No Panacea

As public-private partnerships are increasing in popularity, their benefits may be oversold. One evening at a dinner party, George Bernard Shaw was seated across from Isadora Duncan, the celebrated and beautiful dancer. She flirted with him outrageously. Finally, she said for all to hear, “Oh, my dear Bernard, wouldn’t it be simply wonderful if you and I should have a child? Just imagine—a child with your brain and my body.”

To which Shaw replied: “But what if it should be the other way around?”

The “Shaw-and-the-dancer problem” abounds in partnerships of other kinds. Yes, partnerships have potential benefits, but things may not turn out as planned. How can leaders of government agencies, international organizations, businesses, and NGOs understand partnerships more systematically as they decide whether to partner, with whom, how much, and how?

What Are "Partnerships"?

These questions are all the harder to address because partnerships come in so many sizes and shapes. Their range is broad. The Canadian Council for Public-Private Partnerships defines a partnership as "a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks, and rewards."[11]

Degrees of Partnership

Defined this way, partnerships stretch from partial collaboration on one end to virtual integration on the other. In *Privatization and Public-Private Partnerships,* E. S. Savas characterizes the degree of partnership (see Table 1). His subject is the provision of municipal services, yet even in this relatively narrow field, kinds of arrangements vary widely. At the extremes, there is little partnership to speak of. If the government "makes" and provides the service—as in traditional public schools or police departments, for instance—any partnership will be relatively incidental, taking the form of parent-teacher associations or community groups that meet with police. At the other extreme, if citizens provide the service themselves (home schooling, for instance) or buy it on the free market (private schools), the "partnership" is limited and standoffish. The local school authority is likely to *regulate* in the form of setting some minimum standards.

In the last column of Table 1, note that urban transportation services simultaneously include every degree of public-private partnership. There is pure government provision, when a public transit authority runs a bus service. There is the free market or pure business provision model, when rental car companies compete on the open market. There is pure citizen self-provision of transportation services, when people drive their own cars or bicycles. And there are many hybrids in between.

How Partnerships May Evolve

Partnerships evolve as partners move from limited and wary collaboration to realizing that they have more common interests and joint possibilities. In his study of partnerships between for-profits and nonprofits, James Austin identifies three phases in partnerships and labels them "philanthropic," "transactional," and "integrative."[12]

The first phase is arm's-length and limited. Companies give nonprofits money, but otherwise there is hardly any interaction between the two. The for-profits get the benefits of having been good citizens, benefits that are at this stage as much directed inward toward the company's staff as outward toward its potential customers.

With time and better understanding of one another—an understanding that, in Austin's observations, usually begins with some chance encounter involving the senior executives of the corporation—the partners may discover other values in each other. At the second stage, the most obvious of the additional values for the for-profits is the "branding" value of visible association with a highly regarded nonprofit. The nonprofits receive more and more predictable funding from the companies. Depending on the institutions involved, the values may include leadership training (in either direction within the partnership), publicity for the nonprofit, jobs for its trainees, and so on.

Austin finds that few partnerships reach the integrative stage. When they do, the alliance becomes strategic, and the boundaries between “us” and “them” begin to blur. The partnership comes to resemble an integrated joint venture that is critical to the strategies of both partners. Exchanges multiply in everything from money to people to ideas. At this point, the partnership is able to effectively respond to the changing environment. When, for instance, one high-flying corporate partner suffered its first-ever bad year, that downturn did not undercut the logic of the partnership; the reasons that had made it a good strategic idea remained valid.

Table 1: A Continuum of Partnerships in Municipal Services

Type of Partnership (or Not)	Education	Police Protection	Streets and Highways	Parks and Recreation
Government service provision	Conventional public school system	Traditional police department	Municipal highway department	Municipal parks department
Government vending	Local public school accepts out-of-district pupil and is paid by parents	Sponsor pays city for crowd control by police at concert	Circus pays town to clean streets after parade	Sponsor pays town to clean park after company picnic
Inter-governmental agreements	Pupils go to school in the next town; sending town pays receiving town	Town buys patrol services from county sheriff	County pays town to clean county roads located in town	City joins special recreation district in the region
Contracts	City hires private firm to conduct vocational training program	City hires private guard service for government buildings	City hires private contractor to clean and plow city streets	City hires private firm to prune trees and mow grass
Franchises				Firm is authorized to operate city-owned golf course and charge fees
Grants	Private colleges get government grant for every enrolled student			
Vouchers	Tuition voucher for elementary school, GI Bill for college			
Free market	Private schools	Banks hire private guards	Local merchant association hires street cleaners	Commercial tennis courts and golf driving range
Voluntary Service	Parochial schools	Block association forms citizens’ crime-watch unit	Homeowners’ association hires firm to clean local streets	Private tennis club and fitness center
Self-service	Home schooling	Install locks and alarm system, buy gun	Merchant sweeps sidewalk in front of his shop	Swimming pool at home

Source: E. S. Savas, Privatization and Public-Private Partnerships. *New York and London: Chatham House Publishers, Seven Bridges Press, 2000.*

Hospitals	Housing	Refuse Collection	Transportation
County hospital	Public housing authority	Municipal sanitation department	Public transit authority runs a bus service
		Stores pay town to collect their solid waste	Company hires city bus and driver for a special event
City arranges for residents to be treated at regional hospital	Town contracts with county housing authority	City joins regional solid-waste authority	City is part of a regional transportation district
County hospital hires firm for cafeteria service	Housing authority hires contractor for repairs and painting	City hires and pays contractor to collect garbage	School board hires bus company for pupil transport
		City franchises private firm to collect garbage and charge residents	Government gives company exclusive right to operate bus service
Government grant to expand nonprofit hospital	Grant to private firm to build and operate low-income housing	City charges user fee but subsidizes elderly and low-income households	Government subsidizes bus purchases for private bus firm
Medicaid card permits holder to get medical care anywhere	Voucher enables low-income tenant to rent any acceptable, affordable unit		Transportation vouchers for elderly and handicapped to use for taxis, etc.
Proprietary (for-profit) hospitals	Ordinary private housing	Household hires private firm to provide service	Free market for jitneys, private cars for hire
Community-based non-profit hospital	Housing cooperative	Homeowners' association hires firm to provide service	Carpools organized by groups of suburban neighbors
Self medication, chicken soup, other traditional cures	Do-it-yourself home construction	Household brings refuse to town disposal site	Driving one's own car, cycling, walking

Evaluating Partnerships: Three Perspectives

How can we begin to assess all these varieties of partnership? What does experience so far seem to indicate? What insight might we derive from analogies elsewhere—and from theory?

For most public sector managers contemplating partnerships, the first questions are self-interested. What's in it for me and my organization? How will this proposed partnership help my government agency do what it is supposed to do? The government agency has a mission and a way of doing things—and it has to see what the partnership would accomplish in the agency's own terms.

The questions are good ones, and they are the first ones to ask. They are not, however, the only ones. It is worthwhile to distinguish three perspectives on partnerships. They are perspectives that people in different roles— government manager, outside evaluator, government policy maker—will emphasize, or that different managers will adopt at different times.

The first focuses on the interests of a specific partner. It asks the first question, "How good is this kind and degree of partnership for us?" This perspective tries to understand the benefits and risks of the particular partnership that is being contemplated compared with alternatives.

Perspective 2 seeks to understand the overall results of a particular partnership and the allocation of tasks within it. Beyond the specific partners, how has society more broadly been affected, again compared with alternatives? Different questions of accountability emerge from this perspective.

Perspective 3 concerns the environment in which partnerships of various kinds emerge or don't emerge, function well or function badly. The analogy with industrial policy may make this perspective clearer. For industrial policy, a perspective 2 question would be, what sort of industry should a government subsidize? For partnerships, by analogy, the question would be, what kind of partnership benefits society, given the alternatives? The

Table 2: Perspectives on Partnerships

Perspective	Focus	Concern
1	Each partner	Each partner's interests
2	Each partnership	Broader effects on society for this particular partnership
3	All partnerships (over time)	Broader effects on society over partnerships and over time

perspective 3 question in industrial policy is, how can the government create an environment where industries will best develop over time? For partnerships, the question from perspective 3 is, how can government—and the public, nonprofit, and private sectors working together—create an environment in which the right partnerships develop over time?

Perspective 1: Understanding "What's In It for Me?"

Put somewhat more precisely, the "what's in it for me and my institution?" question becomes: "What are the advantages and risks to us and our mission from various kinds of partnerships, structured how, managed how?"

The advantages may be of many kinds. A recent publication of the World Bank's Business Partnership and Outreach Group lists eight possible benefits for business, among them "to enhance or rebuild brand image/corporate reputation" and "to address public accountability issues or market failures." Among the seven possible benefits for "communities/our clients" are efficiency, effectiveness, equity, and sustainability.[13]

Some of the hoped-for benefits are often not enunciated publicly, including prestige, political insulation, and co-optation. These motives have been dominant in many recent business-NGO partnerships. They may also be crucial to the huge increase in partnerships at organizations such as the World Bank, which may be designed in part "to enhance or rebuild brand image/corporate reputation."

What nonprofits bring to the partnership can range across:[14]

- **Cost.** In the case of nonprofits, the most visible cost advantage is usually access to volunteer labor, though they may have innovative process or service delivery mechanisms as well.
- **Quality.** There may be reason to believe that a nonprofit will deliver a higher quality service, usually because its ethos is thought to be more caring than the government's or a private company's. For the nonprofit organization, providing the service may be a mission, not simply a way to make a profit. And it may have stronger connections to the target population. In his study of nursing homes and handicapped facilities, for instance, Burton Weisbrod found some evidence of quality advantages in nonprofits, at least those that were church related.[15] They ranked higher than for-profits in surveys of customer satisfaction.
- **Access.** For similar reasons, a not-for-profit may be thought to be a more likely way to access a hard-to-reach target population. It may have earned the trust of that population through its commitment and image as "one of us" and from its previous work and connections.
- **"Identity."** The not-for-profit may have some advantage that derives from its commitment and identity, one that is related to but not fully captured by its perceived advantages in quality or cost, or both.

There are risks as well, as any manager who has tried to coordinate things among government agencies, or even different parts of a local office, knows all too well. The "hassle factor" can be even more difficult across the public-private divide, and it is often overlooked in many discussions of partnerships, especially by advocates. For example, a British public-private alliance called InterAct "believes that the shift to a focus on collaborative processes is key to democratic renewal, social inclusion, sustainable development, and a vibrant civil society." InterAct recognizes the importance of evaluating partnerships. But its interesting working paper "Evaluating Participatory, Deliberative, and Co-operative Ways of Working" lists many potential benefits but not the direct and indirect costs.[16]

And yet, when one looks at examples, one hears worried voices among those being asked to enter partnerships. The mundane transaction costs of interacting, coordinating, and partnering can loom large in practice. For example, these costs have been highlighted in internal World Bank studies that interviewed managers involved in partnerships. These studies evoke the adage, "No one likes to be coordinated."

There also can be opportunity costs—that is, things left undone because partnerships consume the time and attention of senior managers. For example, the World Bank recently discovered to its alarm that it

Questions to Ask When Considering Partnerships

- How efficient are partnerships?
- What are the costs of the partnership?
- What do partners from various sectors bring to the table?

is a member of 87 global and regional partnerships. Worried about the risk of having too many partnerships, the Bank's management asked how such partnerships could be evaluated. How should the Bank decide in advance which partnerships to join and how to participate?

In response to this question, a "discussion note" laid out these criteria for judging partnerships:

> [I]n order to ensure that the Bank fulfills its mission, it needs to be able to be selective in its role and only participate in initiatives with the greatest possible development impact, the best leverage of resources, and the strongest synergies with other partners. A clear direction for the Bank, then, is to make sure that its work at the global level contributes to poverty reduction, and builds on its core expertise—developing and helping to implement country-based programs.[17]

Other costs are important but difficult to measure—and sometimes difficult even to talk about. NGOs, for example, have been fearful of partnerships diluting their mission, silencing their voices, and bureaucratizing their cultures.[18] Similar worries have been expressed about government institutions being undermined by outsourcing, public-private partnerships, even by regulation. Consider the phenomenon of "regulatory capture," where regulatory agencies are deviated from their public purposes through their interactions with those being regulated.[19]

How Efficient Are Partnerships?

The wide range of possible forms of partnership gives rises to questions about what form will be best for a would-be partner. Suppose an anti-poverty agency accepts the idea that potential partners can provide advantages that will complement what it does, making what it does even more effective. Does this mean that the partnership needs to be set up as some kind of formal administrative integration? Or could the partnership be a kind of understanding, where both take advantage of each other in a good way but don't try to merge?

"A Checklist for Assessing Costs and Benefits of Partnerships" can help an agency think through where and how to partner. It also raises questions that are useful from perspectives 2 and 3 as well—understanding the effects on society of particular partnerships and of partnerships more generally.

On the plus side for the would-be partner are complementary capabilities provided by another sector. For instance, in protecting our nation's information infrastructure, the technical know-how and resources of the private sector, the distinctive capabilities and authority of the Department of Defense, and the knowledge and authority of the Justice Department all may complement each other. In successful policing, community awareness complements police action. In fostering rural development, services such as water, agricultural extension, roads, health, education, and credit complement one another. The presence of each enhances the value of the others.

Even if a would-be partner sees complementary capabilities, is a partnership of some sort required? Perhaps the goods and services can come together without any sort of administrative partnership among the service providers. Sometimes, people's choices and the market itself can be the integrating mechanism. In developed rural areas, once the government has provided roads, the other services may be left to the market, with individual farmers deciding how much of each to buy. As one expert asserted, "The major requirement is that such services be *simultaneously* available, and it is frequently possible for that to be achieved without administrative integration."[20]

But markets may malfunction in ways that partnerships can ameliorate.

- What one citizen does may affect another's productivity—for example, through practices that affect erosion, the use of water, and the control of pests. When the incentives individual citizens face do not reflect these spillovers, or externalities, the classic economic solution uses prices and taxes to adjust those incentives. If this is not possible for some reason, a partnership among the service providers may improve the results. For example, a program might "integrate" the purchase of cows with mandatory vaccination and dipping services. Another program might require welfare recipients to undergo training, psychological assessment, and drug testing in order to be eligible for job placement—using a partnership of service providers and enforcers.

- Citizens may save time and travel costs by obtaining services from a single supplier—or at least from suppliers in one location. This is a major argument for combining services in a single agent, clinic, or project.

- Years ago, poverty experts routinely cited the tradition-boundedness and ignorance of the poor as obstacles. This is no longer in fashion. Today one tends to hear that poor people know best what they need and what works for them. Actually, both positions may have validity. The poor may indeed "rationally" respond to the prevailing incentive structure, but this structure may itself contain encrusted constraints, and unreliable or biased sources of information and knowledge.

Another plus for partnerships may be gains in efficiency.

- Private firms that merge often justify the action by saying that each firm can profit from the strengths of the other. In the merger between two pharmaceutical companies, Merck with Sharp and Dohme, it was said that Merck had a strong research organization, whereas Sharp and Dohme had an effective sales force. By integrating, resources that are in effect underutilized in one firm are shifted to a more productive combined use.

  Economists have been skeptical of this logic. Empirical research seems to show that instead of the weaker unit profiting from the stronger one, the process often works the other way around—the Shaw-and-the-dancer problem.

- A common rationale for pursuing partnerships in poor areas is the supposed paucity of trained managers. Combining institutions under a single chief may exploit what are called economies of scale, in this case in management. Economies of scale may also be realized by integrating common organizational functions such as research and development, finance, legal services, political functions, marketing, and information gathering. Integration may reduce redundancy. If agencies separately replicate part or all of a common task, then after integration what was done many times need be done only once. If the Department of Water and Power has established a citizens' council to obtain the views of local residents, it may seem nearly cost-free for the electricity provider or the transportation authority to utilize the same mechanism.[21]

- Just as one person's consumption of something produces spillover effects, so, too, one institution's lumpy decisions in space and time may spill over to the operations of another. The analysis of such spillover effects is a classic topic in development planning, but how to include them in designing an integrated project is controversial in theory and difficult in fact.

  When spillovers exist, it may be possible to share information and change incentives so that independent institutions will make the right choices. Joint planning may be called for—indeed, this is a fundamental argument for planning—but the administrative integration of various institutions is not necessarily implied. A key question is whether mutual adjustment by each individual institution is rapid and relatively costless. If so, then there is little need for integration. Mutual adjustment will be easier if information is widely available, and if rewards depend on results.

In some cases, though, it may be better for separate institutions—public, private, and nonprofit—to present a united front. As opposed to a set of independent actors that can be pitted against one another or fragmented in negotiations, the integrated unit can in theory bargain for better outcomes in negotiations with local citizens, the regional or national government, or international agencies.

The downside is that this sort of integrated partnership creates a kind of monopoly, and so it also entails costs and risks. One is that the monopoly will be captured or co-opted by a local elite or by one specific set of consumers.

It is argued that partnerships create a single interest, a combined set of objectives, which in turn reduces the "frictions" and costs that arise from different organizational interests and objectives. The temptation to hide information, for example, is reduced, given that "we're partners now." In partnerships, it is hoped that information will be shared and incentives aligned in the common purpose.

In practice, one would ask several questions. Do the potential partners already have to interact with each other, and do they experience large frictions in doing so? If so, how might partnering reduce these costs?

Finally, in the private sector, sometimes firms merge to take advantage of portfolio effects—combining assets or activities whose risks and returns are not perfectly correlated. Risk sharing is a common rationale for cooperatives, credit unions, and other sorts of partnering arrangements. It may be less relevant to public-private partnerships, but it is still worth asking, "How might a partnership help pool risks of various kinds to all partners' benefit?" The Canadian Council emphasizes partnerships not just as a way to import private sector techniques into public policy but also as a way to share risks, perhaps allowing the government to undertake initiatives that would not be possible otherwise.

What Are the Costs of the Partnership?

The theoretical benefits of partnerships can make theorists swoon. Practical people may also be attracted. They may be swayed by the apparent costs of a *lack* of partnership—the misunderstandings, the failures to coordinate, the duplications—and tend to ignore the costs of sustaining a partnership and the benefits of staying separate.

It is fair to say that the costs of partnership often turn out to be higher than anticipated. Some of these costs can be measured directly in currency, but others involve reduced effectiveness because of drains on managers or staffs. Creating a new partnership, organization, committee, staff, or council costs time and money. So do training a multipurpose worker, sharing data and reports and impressions, and designing and implementing joint incentive and evaluation systems.

Creating a partnership and then learning how to make it work can entail indirect costs not only for employees but for clients and citizens as well. That is the case because institutions differ in budgets, organizational styles and traditions, connections to local and national clients and powers, personnel systems (pay scales, prescribed duties, career lines), and standard operating procedures.

In addition to dead-weight or start-up costs, organizational conflict often ensues. Those working inside a particular institution may perceive a partnership as an invasion of their turf. These costs will be greater the weaker the legitimacy and power of the partnership, the less that partnership helps each participating organization by its own standards, and the more different these separate standards turn out to be. The resistance and conflict are not just among organizations but also among personalities. Careers are built on the fight over who gets to control budgets and workloads. New partnerships can threaten that control.

Once again, the question to ask is whether appropriate incentives are available to induce integration. Without financial incentives in the short run and career incentives down the line, managers may be unable to motivate agencies and personnel to be partners. Once again, information and incentives are crucial to success.

Note, too, that there may be a trade-off between integrating activities in a partnership and the specialized excellence of each partner institution. Consider this advice from an old business-school textbook:

> The effective solution to any integration problem is the one that costs the least and that does not seriously undermine the effectiveness of the *specialized subunits*.... More than one well-intentioned company president has managed to "get his people to start pulling together," but in the process, made them less effective at their respective specialized tasks.[22]

Specialization has its own returns—familiarity, expertise, and savvy. Often routines are more readily established, outcomes more easily measured, and uncertainties reduced. Partnership may involve integrated activities that are not just more but different. Managing an integrated organization often requires qualitatively different skills and systems. Rarely will two organizations partner and find that their management systems align seamlessly.

The merits of various methods of partnering depend on a host of specific considerations, case by case. The framework in "A Checklist for Assessing Costs and Benefits of Partnerships" is designed to help policy makers think more systematically and creatively about the alternatives—and to question whether administrative integration is the best method for partnering.[23]

What Do Partners from Various Sectors Bring to the Table?

A different approach to "what's in it for me?" looks at the kinds of goods and services that various sectors provide best. One begins by analyzing carefully what a contemplated project is intended to accomplish. What goods and services in the broadest sense are to be produced?

Economists classify goods along two dimensions. The first is whether consumption of the good by one person reduces what is available to another, and the second is whether any individual can easily be excluded from consuming the good. The answers to those questions then produce four different kinds of goods.

For *private goods,* like groceries or automobiles, the answers to both questions are yes. If I buy a car, you can't buy it too. But both of us can easily be denied the chance to buy it if, for instance, our friend who owns it refuses to sell. At the other end, for *public goods,* the answers to both questions are no. Once these goods, like national defense or clean air, are provided, your access to them does not diminish mine, nor can you be easily excluded from enjoying the benefit. The general presumption is that private goods can be left to the private market, but public goods cannot. The nature of the latter gives rise to the familiar problem of free-riding: Because no one can be excluded from "consuming" national defense, all of us want it but would like to have the rest of our fellow Americans pay for it. As a result, voluntary contributions will produce too little defense, and the presumption is that the government must act.

Table 3: A Classification of Goods

	Low Voice	High Voice
Low Exit	Government good	Common-pool good; public good
High Exit	Private good; toll good	Civil good

Based on Robert Picciotto, Putting Institutional Economics to Work: From Participation to Governance.

For two other goods, the answers are mixed. For a *toll good*—like toll roads or water systems or other public utilities—once it is built, within some limits of crowding or scarcity, your consumption does not diminish my ability to benefit, but either of us can readily be excluded. In such cases, some combination of the private market and government supervision or regulation seems appropriate.

Finally, if one person's consumption does subtract from another's, but no one can easily be excluded, the good might be called a *common-pool good*. Open pastures or irrigation systems are examples. For them, the toll good mix of market and government may not work, because the incentive to free-ride will be large, and monitoring how much you and I consume will be difficult. These goods may require some cooperative or participatory mechanism to accomplish the monitoring.

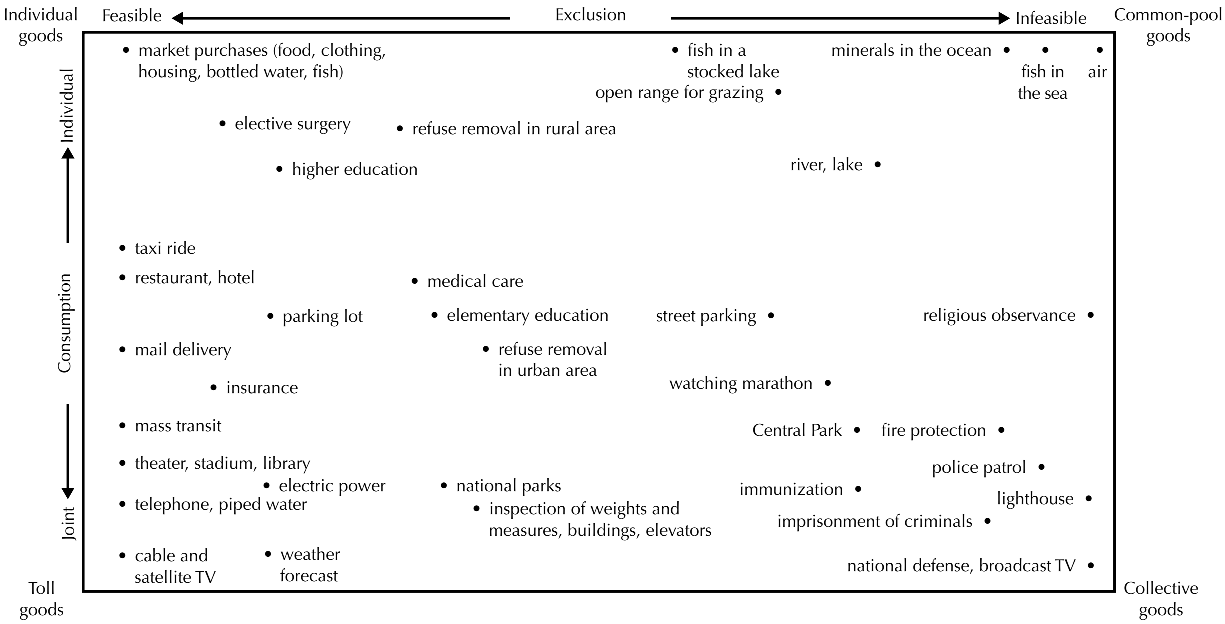
E. S. Savas illustrates this classification scheme in Figure 1.[24] It locates a variety of goods in a kind of a continuum between the four corners of private good (or individual good), common-pool good, toll good, and public good (or collective good).

Robert Picciotto employs this same classification scheme and then adds two other dimensions based on the work of Albert O. Hirschman—exit and voice.[25] *Exit* refers to how easy it is for one person to opt in or out of consuming a particular good, while *voice* refers to how much say a person will have in decisions about producing the good. When a good or service is provided under conditions of low exit and low voice, Picciotto calls it a *government good*. When both exit and voice are high, he calls the good a *civil good.* In the corner characterized by low voice but high exit, he places *both private goods* and *toll goods*—you or I can readily opt in or out but individually don't have much say

A Checklist for Assessing Costs and Benefits of Partnerships

1. Complementarity among the services provided
   a. Which goods and services exhibit complementarity? To what extent, at what levels of output? Focus attention on outputs whose synergies are most marked.
   b. Why can't consumers themselves integrate the goods and services optimally?
      - Externalities among consumers
      - Transaction costs
      - Consumer ignorance
   c. How would the partnership for the supply of the goods and services overcome these problems? Might other measures be preferable (such as providing information, adjusting prices, education)?
2. Economies of combined inputs for producing services
   a. Reallocating resources across institutions
      - Does having a partnership allow resources to be reallocated among the partners?
      - If so, with what resulting efficiencies? Consider the "comparative advantages" of the different partners in various functions (such as planning, marketing, delivery, evaluation, political connections).
      - Could the desired reallocation take place without a partnership?
      - Consider the risks of misallocation ("the Shaw-and-the-dancer problem").
   b. Economies of scale from integrating inputs
      - How large would the economies of scale be, for what functions (such as planning, research, capital equipment and other overhead, top management, delivery costs)?
      - What economies exist in the provision of collective goods (such as information, political organization, public relations)?
   c. Externalities
      - To what extent do partners and their activities affect each other via externalities? Consider especially the external effects of lumpy investments in capital, space, and time, such as infrastructure.
      - How well might the institution partners adjust to externalities without partnering (such as information exchange, changing prices, and so forth)?
3. The creation of a monopoly
   a. What benefits might arise from the monopoly powers that could result from the partnership? Consider increased bargaining leverage in relation to local citizens and clients, the provincial and national governments, and donors of foreign aid.
   b. What negative consequences might ensue? Consider the ease of co-optation by elites, corruption, politicization, and excessive expansion, as well as resistance by people in the individual partner institutions themselves.
4. Overcoming transaction costs via partnering
   a. Do the independent institutions now engage in transactions with each other, analogous to the purchase of inputs and the sale of outputs? If not, this argument for partnering may not apply.
   b. How would partnering lower these transaction costs and to what extent?
5. Allowing financial diversification via partnering (portfolio effects)
   a. To what extent would such financial benefits follow from partnering?
   b. Could the same benefits be obtained more efficiently through financial markets, investments, and so forth?
6. Direct financial costs of creating partnerships (such as the costs of starting an integrated organization, new personnel costs, changes in staffing patterns, training, information and publicity, and so forth)
7. Indirect and managerial costs of partnerships
   a. How large are learning costs (for changes in budgeting, personnel, political linkages, standard operating procedures, evaluation and information systems, and so forth)? Consider the costs for clients as well as employees.
   b. How serious will bureaucratic resistance be? Consider the legitimacy and power of the integrated authority, the similarity of missions among the partner organizations, and possible conflicts of politics and culture.
   c. Are the managerial tools available for inducing agencies to partner effectively? Consider incentives, authority, information, control over workloads, and career paths.
   d. How large are the returns to institutional specialization? To what extent is specialization sacrificed in the attempt to partner? Consider the technical aspects of the production function, but also the role of routines, measurable outcomes, morale, and so forth.

Figure 1: Classifying Goods



Source: E. S. Savas, Privatization and Public-Private Partnerships.

about producing it. *Common-pool goods* and *public goods,* by contrast, are low exit but high voice.

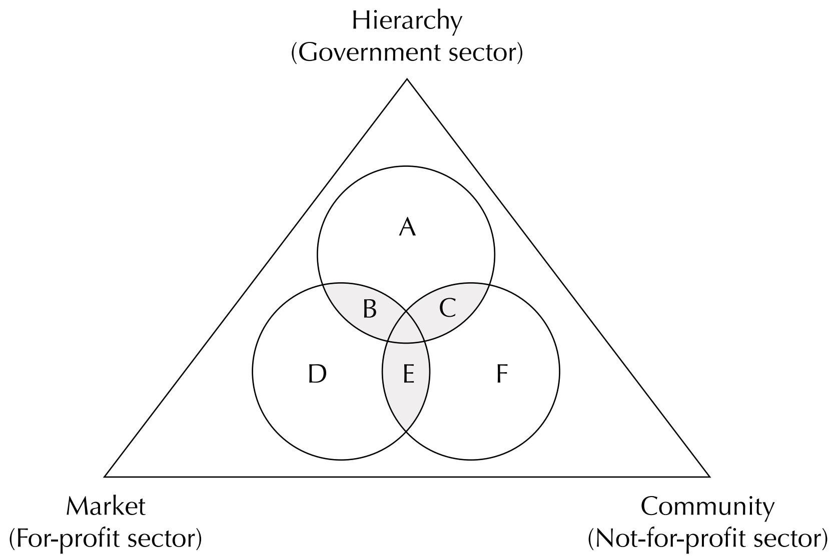
Picciotto goes on to identify loyalty with hierarchy—that is, loyalty to due process over time. He then asks which goods can be left to the market and which require hierarchy in their provision. He argues that common-pool goods rank low in both market and hierarchy: Markets for them will not work, because people cannot readily be excluded from consuming them, but hierarchy will be frustrated by the difficulty of monitoring. By contrast, toll goods rank high on both. Public and government goods rank low on market but high on hierarchy, while private and civil goods have reverse rankings.

Picciotto builds on these typologies to derive the distinctive advantages of each of the three sectors: government (or hierarchy), business, and civil society. Like Savas, he points out that some kinds of goods seem particularly suited to one or another of these institutions. For example, government goods, like the enforcement of contracts, are well suited to the government, private goods to the market, and common-pool resources to NGOs or other participatory or cooperative mechanisms.

Importantly, Picciotto's framework also identifies intermediate goods where partnerships may be particularly important. He argues that by their nature toll goods should involve both state and market. He describes "civil goods" and argues they would best be provided by a combination of the state and NGOs or participatory organizations (see Figure 2). Civil goods lie between market and participation in several respects. They will involve voluntary organizations or NGOs of all sorts, where both exit and voice are high. They will be non-hierarchical. Those NGOs or civil organizations will act to both exhort the state and restrain it, and to call attention to the excesses of pure private markets.

Picciotto's framework helps us understand partnerships in another way. A particular problem or project may require some combination of a public good, a civil good, a private good, and a common-pool resource. Without that combination, it will fail. That understanding has implications not just for how partnerships are built but for what kinds of partners make sense. This takes us to perspective 2, the broader effects on society of a particular partnership.

Figure 2: A Typology of Goods and Institutions



	Type of Good	Type of Institution	Examples
A	Government	State agencies	Justice, police
B	Toll	Public or regulated private corporations	Public utilities
C	Public	Hybrid organizations	Policy, rural roads
D	Market	Private corporations, farmers, and entrepreneurs	Industry, farming, many services
E	Civil	Non-governmental organizations, private voluntary organizations	Public advocacy, professional standards, civic action
F	Common pool	Local organizations, cooperatives	Natural resource management

Based on Robert Picciotto, Putting Institutional Economics to Work: From Participation to Governance. *World Bank Discussion Paper 304. Washington, D.C: The World Bank, 1995.*

Perspective 2: Assessing Partnerships as a Whole

This perspective focuses on the overall results of a partnership and on the allocation of tasks within it. What are the effects on society as a whole from the partnership as a whole, as compared with alternatives? Under what conditions, and for what problems, would it be socially useful for government, business, and NGOs to partner?

Practitioners have developed useful checklists to guide the analysis of benefits and costs in a partnership. An example is the outline for a benefit cost analysis of "cross-sector collaboration" distributed by The Prince of Wales Business Leaders Forum. It describes some of the social benefits (and also the partner-specific benefits) that may result from a partnership.[26] (See Tables 4 and 5.)

Even these lists are incomplete, as their designers emphasized. For example, at the practical level of possible benefits, one might also look for reduced vandalism, better maintenance, leverage for additional funding, and impact on the policy process. Even there, though, the document admits that "there remains insufficient hard evidence on these benefits for them to be widely acknowledged."

Table 4: Advantages of "Cross-Sector Partnerships"

Greater Efficiency	• Pooling resources and optimizing "division of labor" • Decreasing costs associated with conflict resolution and societal disagreement on policies and priorities • Creating economies of scale • Promoting technological cooperation • Facilitating the sharing of information • Overcoming institutional rigidities and bottlenecks
Improved Effectiveness	• Leveraging greater amounts and a wider variety of skills and resources than can be achieved by acting alone • Accommodating broader perspectives and more creative approaches to problem solving • Shifting away from "command and control" to more informed joint goal setting • Obtaining the "buy in" of recipients and local "ownership" of proposed solutions, thereby ensuring greater sustainability of outcomes • Offering more flexible and tailored solutions • Speeding the development and implementation of solutions • Acting as a catalyst for policy innovation
Increased Equity	• Improving the level and quality of consultation with other stakeholders in society • Facilitating broader participation in goal setting and problem solving • Building the trust needed to work toward shared responsibilities and mutual benefit • Building community-level institutional structures, networks, and capacities to enable local control and ownership

Table 5: Potential Positive Outcomes from Partnerships

Outputs of Societal Partnership	• Development of human capital • Improved operational efficiency • Organizational innovation • Increased access to information • More effective products and services • Enhanced reputation and credibility • Creation of a stable society
Outputs—Private Sector	• Increased shareholder and societal value • Greater competitiveness and long-term success • Enhanced reputation—among employees and other stakeholders
Outputs—Public Sector	• National governance and competitiveness • Less bureaucracy—in reality and perception • Cost reductions
Outputs—Civil Society Sector	• Social cohesion • Human development • Empowerment • Access to resources • Reputation enhancement

Source: "Measures for Success: Assessing the Impact of Partnerships." London: The International Business Leaders Forum, August 2000. http://www.pwblf.org/csr/csrwebassist.nsf/content/f1d2a3b4c5.html

Partnerships may have other effects that are difficult to measure but in any particular case can be among the most valued. For example, a partnership can build trust, enable negotiation, reduce violence, undergird a social contract, inhibit government discretion, and enable freer flows of information. InterAct's "Evaluating Participatory, Deliberative, and Co-operative Ways of Working" lists as possible benefits increases in information and understanding, trust among stakeholders, ownership, "capacity" among stakeholders, openness and transparency, "representativeness of participation," and "level of understanding about the process and the specific project"—as well as "changes in values, priorities, aims and objectives" and new relationships between organizations (formal and informal).

Some possible social costs are also hard to measure, but they are potentially crucial. For example, partnerships between government and business may enable corruption and cronyism. Jose Edgardo Campos and Hilton Root studied various policy partnerships in East Asia, especially "deliberation councils" involving people from industry, the government, academia, and, in some cases, the press, consumer groups, and labor.[27] Campos and Root extolled the benefits of these partnerships as the key to the East Asian economic miracle. But after the East Asian economic crisis of 1997, some critics cited these same partnerships as catalysts of crony capitalism and corruption, which rendered these countries more vulnerable. Our conclusion: Experience indicates that partnerships may have important benefits and costs that go beyond the level of service provided and the financial costs.

What Do Various Partners Bring?

One may also appraise partnerships by how well they function in providing an ensemble of goods and services. Robert Picciotto's work again suggests a valuable approach. One begins with an issue or problem and asks, "To address this issue, what kinds of goods and services need to be provided?" Then one asks, "Which of the potential partners can provide each good and service the best?"

The issue or problem may be as grandiose as "homeland security" or "provision of relief services," or as narrow as "nursing home services." To address it, many different kinds of goods and services may be required. These in turn might be provided by a government agency, an international institution, a private business, or an NGO, or perhaps by all of them working together in a partnership. Each combination of these different goods and services "produces" an outcome. One evaluates the different partnerships by asking how much homeland security or nursing home services is produced by what combinations of public, private, and nonprofit inputs.

For example, consider a program to improve the seeds available to farmers in the African country of Malawi. Upon analysis, it became clear that various kinds of goods and services would be essential. Eventually, a partnership was formed. Some parts of the overall solution were provided by government—for example, funding research and development and setting agricultural pricing policies. Some of the necessary goods and services were provided by the private sector—for example, the distribution of the new seed varieties. And still others were provided by community organizations—for example, mobilizing farmers to enable group credit.

As another example, consider welfare-to-work programs. Social experiments in the United States are pitting government agencies against both community groups and private employment firms to see which "does the best job" of placing welfare recipients. Picciotto's framework focuses on the comparative advantages of the three kinds of institutions. Might government employment agencies, private employment firms, and community organizations each have distinctive advantages in providing different relevant services? For example, community groups might do best in bringing in certain kinds of participants and giving them confidence in the process of job seeking, while for-profits might have an advantage in teaching marketable skills and work habits to another clientele. And then the partnership question would arise. How might it be possible to blend the distinctive features of businesses, government, and nonprofits in this endeavor—for example, trying to draw on the efficiency of private providers *and* the commitment or superior access of nonprofit institutions?[28] Might it be possible that for some sorts of welfare recipients, community groups would work best; for others, private firms; and for still others, government agencies?

Along with benefits, one must assess costs. What are the various kinds of costs that accrue to each combination of public, private, and nonprofit inputs? The costs would be financial, as when the government provides so many soldiers, the private sector so much medicine, and the NGO so many volunteer physicians. But the costs could also be transactional—including the management and administrative costs of combining, coordinating, creating a hybrid, or otherwise entering into a partnership.

The ideal partnership will be arrived at by a careful assessment of both benefits and costs. As perspective 1 made clear, experience with public-private partnerships shows that the products and the costs come in many forms, and these may be valued differently by different partners. For example, quite apart from the amount of homeland security produced, or the amount of nursing home services provided, there may be benefits in image building, trust building, communication efficiencies, and so forth. And quite apart from the dollar costs, there may be costs in terms of mission dilution, loss of specialization, greater propensities for corruption, and loss of diversity.

Who Should "Own" a Partnership's Project?

One critical issue bridges perspectives 1 and 2. That is, who should "own"—figuratively or literally—a project that emerges from a partnership? There is promise in applying contract theory to partnerships between government, business, and civil society. Contract theory begins with the premise that all the future contingencies that may arise cannot be specified beforehand, and so no fully specified contract can be written among potential partners. This means that the partnership will not be able to live up to its full promise, because whenever the contract is not specific, each individual institution will look first to its own interests rather than the partnership's interests.

Contract theory responds by focusing on the allocation of residual rights (those that cannot be specified in the partnership "contract").[29] A public official or agency might, for instance, want to contract with a private firm or an NGO to provide some service that is a public good, like education or environmental cleanup. The contracting process is, however, incomplete—that is, many critical contingencies of the project, like the size of the investments the two will make or the quality of the resulting services, cannot be written into binding contracts in advance. That is so because there are too many contingencies to be identified, and often too many uncertainties to enable probability estimates even for the contingencies that can be named.

Suppose the public manager of a school system contemplates a project, an investment, to improve the quality of a local school, perhaps as measured by better test scores. She imagines partnering in some way with an NGO that is active in the locality and cares deeply about education; suppose, indeed, that the NGO values the public good that the test scores project produces more highly than the school system. The NGO, however, cannot undertake the project on its own, perhaps for legal reasons or because it lacks the appropriate technology. If the two cannot make a binding contract beforehand on either the size of their relative investments or the resulting quality, then—following the logic of incomplete contracts—they will choose the size of their investment according to what would happen if, after having made it, they disagreed with one another and the partnership fell apart.

In this case, the school system values the higher test scores, but the NGO values them more. Once the investments were made, if the partnership fell apart, the school system would continue the project because it values it. The NGO, however, values the project more, and it would receive that value without contributing anything. Thus, it could not be induced to contribute anything; knowing that, the school system will not make the investment. Both it and the NGO will thus be worse off.

Suppose, by contrast, that the NGO "owned" the project. If the partnership broke down, the project would not continue because the NGO could not do so on its own. If the two then bargained over the value of the project, they might agree that the value for each was roughly half the total value to both. That would be a positive value for the school system, and the project would go forward. Moreover, since the NGO as owner could not finish the project on its own, it would be willing to contribute to the school system to complete the project.

The logic is complicated, but the critical practical insight is this: In a situation of incomplete contracts, the party that values the public good produced by some partnership more highly than the other should retain residual ownership rights, *regardless of who made the original investment.* This logic suggests why it is increasingly common for public agencies to fund service facilities that then become privately owned. It also suggests, more metaphorically, the value of arranging partnerships to convey a sense of "ownership" to the partner that values the public good more highly—even if that ownership is not formal legal title.

What if the project produces both private and public goods? For instance, costs could be cut in running the school, producing a private good between the partners, but at the price of reducing quality as measured by test scores, which is the public good. In that case, who owns the project should depend on the balance between private and public goods. If the public good is important enough, the NGO should be the owner even if it is not the investor.

One way for the school system manager to think about the test scores project is illustrated in Table 6.

In the Appendix, we apply the framework to several examples, and in two of them the question of ownership arises front and center. NGOs and other humanitarian organizations value the public good produced by international relief operations more highly than do the nations and militaries with whom they partner. Those NGOs, by the logic of the framework, ought to "own" the operations, but they don't. In a second example, protecting the nation's critical infrastructures for information, finance, and power, the first thing a government manager notices is that while the public good of infrastructure protection is important, it is dwarfed by the stakes of the infrastructure owners, which are predominantly private. That suggests that the for-profits probably will have to be the main "owners" of any protection system, and that the government will have difficulty getting into the game. Indeed, that has been the case.

Perspective 3: Understanding the Conditions That Help Partnerships Work Best

Perspective 3 considers the conditions under which partnerships of various kinds emerge or don't emerge, function well or function badly.

At RAND and elsewhere, researchers are exploring this question. We are investigating how the existence, efficiency, and sustainability of partnerships are affected by:

- Better measures of quality of service and quality of life
- Better estimates of institutional performance[30]
- How well incentives are aligned with performance, within and across institutions
- The cost of information flows, which in turn affects learning and feedback

In general, one finds more and better partnerships when measures of quality of service are plentiful and accurate; when estimates of institutional performance are relatively easy; when incentives are

Table 6: Deciding on "Ownership" in Partnership

	Who invests in project?	**Who values public good more?**	**Who should "own" the residual rights?**
Basic case	Only Partner A	Partner B	Partner B
Both partners invest	Both partners	Partner B	Partner B
Private and public goods	Either one partner or both	Partner B	Depends on how important the public good

plentiful and aligned with performance; and when information flows are inexpensive.

In this work, once again we find it crucial to recognize the nether side of partnerships, how from society's perspective they may unwittingly abet market power, cronyism, and corruption. We must examine not just the enabling conditions for partnerships but also what might be "disabling conditions." Pranab Bardhan has pointed out the troubling persistence of dysfunctional institutions. He criticizes a benign view that tends to "understate the tenacity of vested interests, the enormity of the collective action problems in bringing about institutional change, and the differential capacity of different social groups in mobilization and coordination."[31]

We are struggling with another broad and important category of conditions, those having to do with the social and cultural setting of the partnership. Many contextual factors can affect the benefits and costs of partnerships, indeed their likelihood to emerge at all. How to grasp the many possible interactions between aspects of partnerships and aspects of the social and cultural setting remains a daunting challenge, in theory and in practice.[32]

This line of inquiry runs into two taboos in discussions of partnerships. The first is simple *incompetence*. One of the partners may not only have less capacity technically or managerially but actually be incompetent. In international development, technical assistance is sometimes woeful, as are so-called experts; this much we are allowed to say. But so-called local partners are often so poorly paid and so badly trained that partnering with them creates special challenges and perils. This much is taboo to say, at home or abroad.

Second is the problem of *dysfunctional institutions*. Calls for partnership and local ownership ring hollow if one of the "owners" is systematically corrupt. This issue arises most forcefully in developing countries, where the places most in need of partnerships are those with the gravest problems of incompetence and dysfunctional institutions. To put it another way, advocating local ownership now in countries such as Indonesia, Peru, and Nigeria is hard to square with simultaneous criticism of how local politicians exercised ownership in the past. Similarly, a renewed emphasis in donor circles on capacity building and on fighting corruption combines awkwardly with calls for local ownership, causing rhetorical and practical tensions in development donor organizations, both national ones and the World Bank.

We have discovered that research on these questions may be helpful in creating the conditions for healthy partnerships to emerge. For example, serious evaluations of partnerships may actually enable them to succeed under conditions of low capacity and dubious probity. Evaluations abet accountability. Objective, independent information about performance enables credible commitments to be made, on both sides of the partnership. But any evaluation must face up to the levels of technical competence that can be expected in practice on all sides of the partnership, and must both recognize and counteract the temptations for corruption, self-congratulation, and conceptual hectoring that plague evaluations. Evaluation can be part of the problem (when vitiated by incompetence or nullified by corruption), but it also can be part of the solution to both taboo topics.

Assessing partnerships through perspective 3 should focus on such aspects as the availability of good information about quality of service and about performance, the incentives within and across organizations, and (admittedly poorly theorized) the social and cultural context. It also should frankly assess the capacities of the partners and the likelihood of abuse of power and corruption. Finally, it should recognize the possibly strategic role of evaluation in difficult settings: Evaluations can, in fact, be enablers of productive partnerships and antidotes to abusive ones.

The Process of Assessing Partnerships

There is no magic algorithm that can tote up all the considerations in a specific case and tell a manager whether a particular partnership is worthwhile. We do not have anything approaching a full model of the benefits and costs of partnerships. Theorists would imagine identifying all the factors that affect the various benefits and costs of partnership, including external forces and dynamics. They would then imagine pulling together valid and reliable data on all the benefits and costs and other factors, including those that are laden with values and deeply affected by perceptions. With enough cases, a researcher might then be able to say which partnerships work (in what senses) when, and therefore provide rich guidance to the designers of and participants in partnerships.

But we are a long way from this ideal. Not only are we just beginning to understand the benefits and costs and the various perspectives for identifying them, we have little experience with public-private partnerships. History is not a good guide, either. A look at the history of public transport or municipal water supply over the last century displays the changing boundaries of public and private—changes that have been driven, then as now, by fashion as well as culture or technology.[33]

And yet, we need as never before to assess partnerships. They are an emerging feature of the way we deal with public problems. Like it or not, we are entering the era of hybrid governance. More and more issues raise the desirability not just of changing the boundaries of who does what—privatizing or, as the United States has done recently with airport security, re-nationalizing—but of considering something more: real partnerships.

And so our task is to make assessments together in the face of incomplete theory and sparse experience. Under such circumstances, we believe that the task of improving partnerships may be better pursued through a process rather than through any pretense of a mathematical calculation.

We recommend that potential partners work through checklists like "A Checklist for Assessing Costs and Benefits of Partnerships" and Tables 4 and 5. Probe together each dimension. The result may be the shared conclusion that a particular advantage or risk is paramount, and then the partners can actively focus on it. Or all participants may discover that there are angles to the problem that they had overlooked—and by talking them through together, they are able to manage them more effectively.

This process of understanding should itself be a kind of partnership. "In today's world," a colleague of ours who's been a CEO of a private company and a nonprofit recently wrote, "the role of the CEO is no longer to huddle behind the crystal ball and oracle out strategic directions, but rather one of coaching (and being the accountability boss) of a team of unit managers around him. He gets his team to work through the analysis together. The role model there of course is Jack Welch: He spends a lot of time in his book explaining the tools he used to make GE tick."

The same is true for partnerships. It isn't the job of the leader to do the analysis alone and tell others the results. Nor should this be left to a technical analyst working alone. Rather, we should seek a kind of participatory diagnosis, where the agency's managers work through the checklists, perhaps facilitated by the leader and with inputs from a technical evaluator. For each bullet, there is a discussion. What does this category trigger in your imaginations? How big might this category of benefits be, and what does it depend on? Which of these headings seems most important to our agency's mission? Which of the synergies or complementarities across partners seems most crucial? Which most fragile? And so forth.

In this context, research may have a valuable role to play. Can we identify and then study together examples of successful partnerships (and perhaps also failed ones, but let's begin with whatever successes we can find)? Working with practitioners will be crucial here in defining what "success" might mean and carrying out the case studies.

We also might aspire to identify excellent examples of understanding the benefits and costs of partnerships—from the perspective of a single partner, from the perspective of the entire partnership, and from the perspective of how various conditions enable or discourage effective partnerships of many kinds.

Finally, once we have done such research, how might we together learn from the results and see what further insights they generate in practitioners and analysts alike?

These questions may suggest new ways to assess and improve the "business" of government.

Appendix: Analysis of Three Examples of Partnerships

Consider several examples that we believe illustrate the usefulness of the framework in analyzing partnerships.

Integrating Family Planning Services

What are the pros and cons of a partnership of many public, private, and community services? Working through the specifics of the goods and services and the possible costs and benefits of partnership might enhance the chances of success.

For example, Perspective 1 questions about economies of scale in managerial talent would be helpful in assessing integrated family planning. Whatever the theoretical attractions, partnering health clinics with family planning centers and community organizations is a managerial challenge. A classic evaluation by David Korten concluded:

> Integration in itself is not likely to improve the acceptance of family planning and indeed may result in serious deterioration in program performance.... It should be clear that integration is not a panacea for poor program performance.... Indeed I would suggest as a tentative hypothesis that on the whole, integrated programs require stronger management to maintain the same level of performance as a comparable vertical program.[34]

Managing Complex Humanitarian Emergencies[35]

Using perspectives 1 and 2 to assess humanitarian emergencies sharpens the focus on what good is being produced and thus who should "own" the operations. With the end of the Cold War, international relief missions have moved from one-shot responses to natural disasters to complex, and often lengthy, operations to assist the victims of conflict. From northern Iraq to Turkey, Somalia, Haiti, Rwanda, Zaire, Bosnia and Kosovo, it has come to be recognized that hungry people hardly ever result from an absolute shortage of food; rather, famine is usually the byproduct of conflict, and so relief becomes an issue between combatants. The missions range from simply delivering food, albeit in perilous circumstances, to trying to rebuild states that have lost control of their territories, to trying to end civil wars.

The operations have involved partnerships as varied as the missions. On the relief side, the major partners have been the large humanitarian organizations—CARE, Oxfam, Save the Children, and others. The founding ethos of these organizations was that of the volunteer fire brigade—volunteers rushing to alleviate this or that famine in a particular country, then returning to their ordinary lives. The organizations tended to have skimpy infrastructure and not much capacity for learning lessons. It has caused some pain to their sense of mission to realize that humanitarian emergencies, somewhere, are a permanent condition, and that their organizations need to become more permanent, more professional, and more specialized.

The military forces involved have also covered a wide range—from next to none in Rwanda, to U.N. peacekeepers in Somalia, to heavy-armored forces of the North Atlantic Treaty Organization (NATO) operating with a U.N. mandate in Bosnia. The adjustment in perspective these complex operations have required of participating militaries has been at least as wrenching as that imposed on the humanitarian organizations. The original military model was that of U.N. Cold War peacekeeping, when lightly armed forces were interposed as reassurance between combatants who could not make peace but were presumed to be beyond making war. If that presumption was shattered, the peacekeepers withdrew; they were neither equipped nor prepared to stand and fight.

Now the peacekeepers often have to be prepared to be peacemakers or enforcers, not only protecting themselves and relief operations when doing so is likely to appear to one set of combatants as taking sides, but also sometimes separating or pacifying combatants. The "partnership" between the militaries and the humanitarian NGOs has been uneasy at best. To the militaries, the NGOs have often looked like rag-tag amateurs. For their part, the NGOs know they need protection, but many cherish their image as neutral humanitarians. They are wary of too close an association with governments, fearing that they will lose their independence and animating spirit.

The first observation the framework suggests is that "ownership" in the existing partnerships is badly mismatched in terms of how much the partners value the good produced.

That good is, for the international community, almost entirely a public one, some combination of lessened suffering and enhanced order. For the militaries, and especially the United States, there is also some private good, in the form of enhanced influence. But what is striking is that the public good often is valued much more highly by the NGOs than by the participating nations and militaries. Vital interests have not been at stake for the nations; Bosnia and Kosovo were perhaps exceptions, at least for the Europeans, and much larger operations resulted. Participating has been discretionary, and opting out is always possible.

The NGOs ought therefore to own the operations, but they don't. The military partners do. That has been the result of the overriding need for protection, as well as the fact of clear chains of command on the military side. By contrast, the civilian side is at best cobbled together, often from a welter of different and sometimes competing organizations. The U.N. High Commissioner for Relief is a symbolic focal point, but not one that is in a position to exercise real operational control, surely not with regard to the participating militaries.

The more venturesome NGOs have begun to draw the unpleasant implications of the misbegotten partnerships. They have accepted that the United Nations or the United States or NATO cannot be counted on to provide security for these complex operations. That protection will be a sometime thing. That fact suggests, first, that the NGOs and their community need much better capacity to analyze the circumstances of any given emergency to understand just how much and what kind of danger they run. Second, some NGOs have gone so far as to imagine drawing the private sector into their partnership if government protection cannot be assured. They would, in effect, "privatize" the security function. By one calculation, the 1990s operation in eastern Zaire could have privatized security for about $50 million, out of a total relief budget of about a billion dollars.

Finally, the NGOs have begun to realize that they may have to refuse to intervene. To do so would be to directly contravene their mission. But if the operation is very risky, national partners are not available for protection, and privatizing security is impossible or unacceptable, then saying no may become necessary.

Protecting the National Information Infrastructure[36]

For this issue, too, the framework provides insights about the nature of the goods and who should "own" projects, as well as the forms the partnerships might take. These are factors to think through together more carefully, not a kind of accounting sheet or a specific recommendation.

September 11, 2001, drove home the vulnerability of the United States to terrorist attack. Even before the attack, concern about the nation's infrastructures—telecommunications, finance, electric power, air traffic control—had spawned a presidential commission and set of new government institutions. All the infrastructures are vulnerable to threats ranging from bad weather and careless clerks, to joy-riding hackers and petty criminals, to determined terrorists. Information networks are central to all of them.

Yesterday's solution was a tight but limited partnership between the federal government and its controlled monopoly, AT&T. In those years, government communications, particularly military communications, were much more segregated from civilian communications than they are now. To the extent that elements of the civilian information infrastructure were deemed dangerously vulnerable, the solution was easily at hand: Subsidize AT&T to bury the cables deeper, to build redundancy, or to otherwise harden the system.

Now, no such government solution is at hand. AT&T is long since dissolved, and the infrastructures themselves are simultaneously *global,* or at least international (in the case of power), and mostly in *private* hands, not public. Moreover, information technology leaders, especially at home but also abroad, have spent their careers getting the government off their backs. So the last thing they seek is a government role even if they might privately accept that intense competition does drive them to spend too little safeguarding the infrastructures. Given the pace of technology, any government regulations would be almost bound to be dead on arrival, or worse.

For its part, the government instinctively views the problem as one of either law enforcement or national security, neither one an irrelevant perspective but both destined to frighten off the private infrastructure managers, both in making policy at home and negotiating abroad. As the government seeks to reach out to the for-profit sector, it sees a set of people, none of whom have security clearances and all of whom are driven by competitive advantage, not in the first instance national security.

Starting to parse the issue using the framework, then, the first thing a government manager notices is that while the public good of infrastructure protection is important, it is dwarfed by the private stakes of the infrastructure owners. That suggests that the for-profits probably will have to be the main "owners" of any protection system, and that the government will have difficulty getting into the game. Indeed, that has been the case. Before September 11, the government created a set of rather traditional government institutions—the Critical Infrastructure Assurance Organization at Commerce and the National Infrastructure Protection Center at the Federal Bureau of Investigation. Its "partnerships" with the private sector, ISACs, or Information Sharing and Analyses Centers, have thus far mostly been public relations ventures. In areas like banking or energy, where effective trade associations already existed, the government has anointed them as ISACs.

What the government might offer a partnership is money, intelligence or information, and, ultimately, the prospect of treating the public good as such and regulating or setting standards. The last—the use of hierarchy—is precisely, though, what the for-profits fear most. One possible institutional model is the existing National Institute of Science and Technology, which grew out, in part, of the last generation's infrastructure wake-up call, the 1977 New York City blackout. Perhaps more suggestive still are the Centers for Disease Control. They are very nonpolitical and very professional, out of Washington, and dominated by the private sector. Public health professionals need them, and can be confident that information provided to the centers will not be released.

The frameworks suggest to us the utility of using NGO or other participatory mechanisms in several ways. When the Melissa virus struck the web in 1999, its perpetrators were identified within a matter of days. What was striking, though, was that none of the government's fledgling machinery for protecting infrastructure was a significant part of the hunt. Rather, a loose network of private hackers shared tips and pursued leads. They did so, so far as one can tell, not from any sense of public duty or animosity toward the perpetrators, but rather for the simple challenge of solving the puzzle. Still, that might be thought of, in Picciotto's terms, as a public good.

Perhaps there is also a role for more organized participation, a kind of civil good, as a check on both the pursuit of profit by the infrastructure owners and the heavy-handedness of government involvement. The existing trade associations are probably too self-interested to play that role. But the evolution of the Silicon Valley's TechNet from a trade association to a policy group with interest in what Washington did, or might do, is suggestive of one kind of new NGO in the infrastructure area.

Endnotes

1. See Gregory F. Treverton and Tora Bikson, *New Challenges for International Leadership: Positioning the United States for the 21st Century,* RAND Issues Paper, forthcoming.

2. Michael R. McAdoo, "Tying the Knot: The Partnership Craze," in *Sustaining Growth and Bridging the Divides: A Framework for Our Global Future*. Annual Meeting 2001 Report. Davos, Switzerland: World Economic Forum, 2001: 40.

3. An internal document from the World Bank defines partnership as "a collaborative relationship between entities to work toward shared objectives through a mutually agreed division of labor," including specific programs and "ongoing, often open-ended relationships." "Partnership Oversight and Selectivity: A Discussion Note," March 2000, p. 2.

4. For a review of recent usage, see Simon Maxwell and Tim Conway, "Perspectives on Partnership," OED Working Paper Series No. 6. Washington, D.C.: The World Bank, 2000; and John Eriksson, *The Drive to Partnership: Aid Coordination and the World Bank*. Washington, D.C.: The World Bank, 2001.

5. http://www.worldbank.org/partners/

6. Philip S. Antón, Richard Silberglitt, and James Schneider, *The Global Technology Revolution: Bio/Nano/Materials Trends and Their Synergies with Information Technology by 2015*. Santa Monica: RAND, 2001.

7. Philip Bobbitt, *The Shield of Achilles: War, Peace, and the Course of History*. New York: Knopf, 2002.

8. The World Bank, *Global Development Finance 2001: Building Coalitions for Effective Development Finance*. Washington, D.C.: The World Bank, 2001, chapter 2.

9. *Carrots, Sticks, and Sermons: Policy Instruments and Their Evaluation*, ed. Marie-Louise Bemelmans-Videc, Ray C. Rist, and Evert Vedung. Somerset, N.J.: Transaction Publishers, 1998.

10. For example, see Burton Weisbrod, "The Future of the Nonprofit Sector: Its Entwining with Private Enterprise and Government," *Journal of Policy Analysis and Management.* 16, 4 (1997): 541-555; *Nonprofits and Government: Collaboration and Conflict*, ed. Elizabeth T. Boris and C. Eugene Steuerle. Washington, D.C.: The Urban Institute Press, 1999; and *Public-Private Policy Partnerships*, ed. Pauline Vaillancourt Rosenau. Cambridge: MIT Press, 2000.

11. http://www.pppcouncil.ca/aboutppp.htm.

12. See James E. Austin, *The Collaboration Challenge: How Nonprofits and Businesses Succeed through Strategic Alliances*. San Francisco: Jossey-Bass Publishers, 2000, especially chapter 2.

13. Business Partnership and Outreach Group, "Partnering with Business: Questions and Answers." Briefing Note No. 2. Washington, D.C.: The World Bank, Nov. 2000.
http://www.worldbank.org/business/files/note2.pdf
It is, of course, a long way from a typology of benefits to their careful measurement in a specific case, and we know of no exemplar.

14. See *Public-Private Policy Partnerships*, op. cit., especially chapter 13.

15. Burton Weisbrod, op cit.

16. Brighton, England: InterAct, June 2001.

17. "Addressing Global Dimensions in Development, A Discussion Note," The World Bank, March 20, 2000: 9. The document later notes (p. 10): "Key aspects of the Bank's comparative advantage are global reach and a

broad developmental mandate, ability to mobilize and manage resources, and operational competence at the country level." Again, it is easier to list these aspects than to monitor and evaluate them across a range of potential partnerships.

18. For example, *NGOs, States and Donors: Too Close for Comfort?* ed. David Hulme and Michael Edwards. London: Macmillan, 1997.

19. Jean-Jacques Laffont and Jean Tirole, "The Politics of Government Decision-Making: A Theory of Regulatory Capture." *Quarterly Journal of Economics*, 106, 4 (Nov. 1991): 1089-1127.

20. Arthur T. Mosher, *Thinking about Rural Development*. New York: Agricultural Development Council, 1976.

21. Samuel Paul, *Holding the State to Account*. Bangalore: Public Affairs Centre, 2002.

22. John P. Kotter, Leonard Schlesinger, and Vijay Sathe, *Organization: Text, Cases, and Readings in the Management of Organizational Design and Change*. Homewood, Ill. Irwin, 1979: 133, emphasis in original.

23. "A Checklist for Assessing Costs and Benefits of Partnership" also suggests pointers for our other two perspectives on partnerships. For instance, from perspective 3, governments can take steps to enhance information flows and make incentives more flexible. If so, partnerships will be easier to organize and more efficient in their operations. By providing an information-rich environment and appropriate incentives, independent agencies and the citizens they serve are able to do their own "integrating" efficiently. Partnerships, which are often thought of only in terms of organization charts and training and law, may be usefully refocused in terms of information and incentives.

24. E. S. Savas, *Privatization and Public-Private Partnerships*. New York and London: Chatham House Publishers, Seven Bridges Press, 2000, pp. 46-47.

25. Robert Picciotto, *Putting Institutional Economics to Work: From Participation to Governance*, World Bank Discussion Paper 304. Washington, D.C.: The World Bank, 1995.

26. "Measures for Success: Assessing the Impact of Partnerships." London: The International Business Leaders Forum, August 2000. http://www.pwblf.org/csr/csrwebassist.nsf/content/f1d2a3b4c5.html

27. *The Key to the Asian Miracle: Making Shared Growth Credible*. Washington, D.C.: Brookings, 1996.

28. See, for instance, Paul C. Light, *Making Nonprofits Work: A Report on the Tides of Nonprofit Management Reform*. Washington, D.C.: The Brookings Institution, 2000.

29. Oliver Hart, Andrei Shleifer, and Robert W. Vishny, "The Proper Scope of Government: Theory and an Application to Prisons," *Quarterly Journal of Economics*, 112:4 (Nov. 1997): 1126-1161. Timothy Besley and Maitreesh Ghatak, "Public-Private Partnerships for the Provision of Public Goods: Theory and an Application to NGOs." The Development Economics Discussion Paper Series, No. 17, London School of Economics, August 1999. http://econ.lse.ac.uk/staff/tbesley/papers/ngo.pdf.

30. This builds upon better measures of quality, but is separable from them. An example: Suppose we have a fuller set of measures of educational quality. To judge a school's performance, in the sense of value added, we would have to adjust for changes in the quality of the intake and for other features of the environment that affect the quality of education but are not under the school's control.

31. Pranab K. Bardhan, "Understanding Underdevelopment: Challenges for Institutional Economics from the Point of View of Poor Countries," *Journal of Institutional and Theoretical Economics* 156, 1 (March 2000): 224.

32. Robert Klitgaard, "Including Culture in Evaluation Research," *New Directions for Evaluation*, No. 67, Fall 1995; and Robert Klitgaard, "Applying Cultural Theories to Practical Problems," in *Culture Matters*, ed. Richard J. Ellis and Michael Thompson. Boulder: Westview, 1997.

33. Charles D. Jacobson and Joel A. Tarr, "No Single Path: Ownership and Financing of Infrastructure in the 19th and 20th Centuries," in *Infrastructure Delivery: Private Initiative and the Public Good*, ed. Ashoka Moody. EDI Development Studies. Washington, D.C.: The World Bank, 1996.

34. David C. Korten, "Integrated Approaches to Family Planning Services Delivery." Development Discussion Paper 24. Cambridge: Harvard Institute for International Development, 1975: 24.

35. See Michael Bryans, Bruce J. Jones and Janice Gross Stein, *Mean Times: Humanitarian Action in Complex Political Emergencies—Stark Choices, Cruel Dilemmas*, University of Toronto, January 1999, available at www.toronto.ca/cis/conflict.html or www.care.ca; Daniel Byman and others, *Strengthening the Partnership: Improving Military Coordination with Relief Agencies and Allies in Humanitarian Operations*.

RAND, MR-1185-AF (2000), pp. 59-79, 101-19; and Marc Lindenberg and Coralie Bryant, *Going Global: Transforming Relief and Development NGOs*. Bloomfield, Conn.: Kumarian Press, 2001.

36. See "National Plan for Information Systems Protection," January 2000, and Report of the President of the United States on the Status of Federal Critical Infrastructure Protection Activities, January 2001, both available on the CIAO website, www.ciao.ncr.gov. See also the FBI's National Infrastructure Protection Center, whose website is www.infragard.net. For examples of public-private partnerships to build the information infrastructure, see http://www.ncppp.org/casestudies/ConnectingMinnesota.htm.

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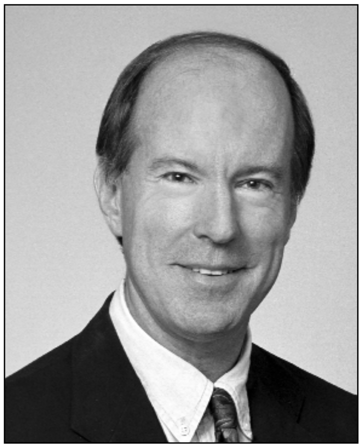

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