PPP
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FOOD & WATER

02

Insights Series 02

Building
Partnerships

Building Partnerships

Introduction: Making Sense of Public-Private Partnerships

The nature of development collaboration is changing and evolving quickly. The issues at stake are high: with a growing world population, the issues of food security, water scarcity, social inclusion, and environmental management are urgent.

In 2012 the Dutch Ministry of Foreign Affairs has launched two Public-Private Partnership (PPP) facilities: the Sustainable Water Fund (FDW) and the Sustainable Entrepreneurship and Food Security Facility (FDOV), in order to stimulate private sector participation in dealing with water, food, and sustainable development issues. These two facilities contain a wide range of PPPs with varying change strategies, partnership configurations, and business models.

In 2014, the Ministry launched PPPLab Food & Water, a four-year program with the aim of extracting knowledge and methodological lessons from all PPPs implemented within FDW and FDOV. PPPLab seeks to create and share knowledge for all stakeholders engaged with PPPs for food, water, and private sector development, and for the wider community interested in them.

PPPs are receiving a great deal of attention at present. Not only is the Dutch government investing significantly in collaboration with the private sector, but business and civil society organizations are also increasingly looking for opportunities to partner. At the same time, the concept of PPPs is open to a confusing range of interpretations.

Also, notwithstanding strong and positive intentions, little is known about the degree to which PPPs contribute to addressing and solving development issues.

A key task of PPPLab is to create clarity, knowledge, and learning around PPPs, thereby improving the relevance, effectiveness, and quality of PPPs. Over the next four years, PPPLab will help to make sense of what happens under the umbrella of PPPs, will execute detailed studies and comparisons, and will create an open exchange and learning environment, helping to draw the main lessons and possible policy implications.

From 2014, PPPLab publishes an initial series of 'Insights Series' booklets on PPPs, and conducts a set of in-depth action research projects.

For more detailed information on PPPLab's knowledge agenda please visit our website: www.ppplab.org

Enjoy reading, thinking along and … asking questions! Your input, feedback, and suggestions are highly valued. Please don't hesitate to contact us at: info@ppplab.org

Colophon

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THE PARTNERSHIPS
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For quality of life

SNV

Figure 1:
Phases of a PPP

INITIATION

BUILDING

IMPLEMENTATION

MOVING ON

1. **Partnership Phases of PPPs**

The notion of 'partnership' refers to 'a collaborative effort in which parties from different societal sectors pool resources to provide solutions to (perceived) common problems'.[1] However, a variety of structures of these partnerships is possible. There is no standard regarding how many civil society, governance, or business actors need to be involved.

Issues and Opportunities

Often a certain issue or opportunity that presents itself plays a role in the formation of a partnership. Sometimes partners come together because they are extrinsically motivated to solve a complex issue - such as poverty, pollution, or corruption - which they cannot tackle on their own. The stakeholders then actively search for partners with similar motivations to solve the issue.[2]

On the other hand, sometimes partnerships arise from the sheer opportunities that present themselves. Potential partners can use existing relationships to seize an opportunity that may be beneficial to all partners involved. In these cases, more intrinsic motivations play a role: organizations have an on-going dialogue regarding their ambition to work together, or they feel that they have a shared responsibility, interest, or need to deal with a complex issue. The opportunity presents itself and the parties engage in a partnership.

Public-private partnerships generally follow a basic lifecycle of four phases.[3] In this case, we use the terms initiation, building, implementation, and moving on (see Figure 1).

We talk about a partnership lifecycle, since a partnership is not a linear process. The different phases of the partnering lifecycle must not be seen as rigid steps through which a PPP must go. These phases are flexible and often contain elements which - though described as part of a specific phase - can be developed along the way, encompassing different phases.

Every PPP is different, and the processes a partnership goes through strongly depend on the context and the partners involved. Still, the partnering lifecycle provides an overview of the elements that make up the partnering process.[4]

1] PrC (2012) p1; 2] PrC (2012) p4.
3] In the academic literature, these different phases have several denominations, depending on which partnerships are being described. The names of the phases may be altered, but in its essence, every PPP follows similar steps.
4] The description of the phases of the partnering lifecycle in this section is based upon academic work used in several publications of the PrC as well as input from members of the PPPLab. Amongst others this academic work includes the Navigator designed for the Ministry of Foreign Affairs and the booklet Cross-sector partnerships: What to consider before you start? For further reading on partnering formation and phases we suggest these papers as well as the academic work these papers are based upon (see reference list).

PARTNERS IN FDOV AND FDW

In the case of FDOV and FDW, the Dutch Ministry of Foreign Affairs (MFA) decided on different set-ups: partnerships within FDW needed to include a business partner, an NGO or knowledge institute, and a public institution. The Ministry, in this case takes on the role of the funder, whereas in FDOV, the Ministry is a public partner.

The PPPS in FDOV did not have to incorporate an NGO or knowledge institute, only a business and the Ministry as partner. In the second call for proposals, this has changed, and an NGO or knowledge institute now also has to be included for FDOV.

ISSUES AND OPPORTUNITIES IN FDOV AND FDW

In the case of the first call for FDOV and FDW, both issues and opportunities were important. For some partners in the approved PPPS, FDOV and FDW could be seen as an opportunity to expand their existing partnerships by including the Ministry of Foreign Affairs as a partner and funding body. Others might have be more aware of the issue they wanted to solve, and found the PPPS in FDOV and FDW the best way to tackle a complex issue.

Partnerships Resource Centre (2014). Two PPP facilities. Survey results: the applicant's perspective. Evaluation of the selection procedure of the Sustainable Water Fund (FDW) and the Facility for Sustainable Entrepreneurship and Food Security (FDOV). Partnerships Resource Centre: Rotterdam.

Phase 1: Initiation

Overview of key elements to be considered in the initiation phase of a partnership:

• Scoping of stakeholders and identification of partners.
• Joint definition of the issue.
• Making a commitment to collaborate.
• Identification of the resources.
• Identification of the core complementary competencies.
• The spark between the partners.

There are a number of elements to address at the start, whichever route the partners take in forming a partnership. First of all, the relevant stakeholders and potential partners need to be identified. Often several partners already know one another. However, it is important to recognize which stakeholders are needed to tackle the issue at hand most effectively. In order to do this, partners should jointly define the problem they are addressing. In this way, they can make sure that they are at the same level of understanding

Furthermore, the partners must identify what resources and core complementary competencies are needed. It then becomes possible to properly assess whether there is a need to include other stakeholders who possess relevant or missing resources or competencies. After jointly defining the problem, the partners need to make a commitment to collaborate through all phases of the partnership.

Phase 2: Building

Overview of key elements to be considered in the building phase of a partnership:

- *Formulate and sharpen a common vision of value creation and the 'business idea'.*
- *Defining objectives and aims.*
- *Shaping an adequate organization and governance set-up.*
- *Detailing the financing logics.*
- *Developing a concrete timeline, phases, and planning for the project.*
- *Drawing up a formal partnership and funding agreement.*

Once the partners begin working together, a common idea or vision needs to be developed and sharpened, to indicate how the partnership will achieve value creation based on the aligned interests of the partners. The partners need to develop a mutual 'business idea'. It is essential that all partners feel included in this process if mutual support is to be created and trust built. A joint approach to this phase is essential: mutuality will be a key success factor for partnering (see also the section entitled 'Mutuality').

Once the vision and ground rules are in place, the partners can start defining the objectives, setting the agenda, and developing a working structure for the partnership in practice. In setting the agenda, the partners come up with a concrete timeline, phases, and planning for the duration of the project. The working structure often includes the governance

of the partnership and the details of the financing logic for implementing the activities. In the end, this can lead to a formal agreement (a letter of intent, a memorandum of understanding, or a partnership agreement) between all the partners, on the basis of which they commence the implementation phase.

The 'Spark'

However a partnership comes into being, it is essential that there is a 'spark' between the organizations involved. This spark is crucial in the transition from partnership initiation to actually building the partnership. In social psychology, this factor is referred to as the 'chemistry' between people; organizational studies talk about 'alignment'. Practitioners in partnerships identify 'the spark' as a tipping point between the relatively distant processes of partner selection and opportunity exploration and actual partnership building.

All parties in a partnership need to feel that it will be possible and attractive to work together in the long term. This feeling may, for example, be based upon a shared level of enthusiasm or a personal connection between the representatives of the organizations.[5]

5] There is very little reference to any such 'spark' in the current international literature on partnerships. Nevertheless, interviews carried out by the PrC among practitioners active in cross-sector partnerships have time and again pointed out that without such a spark, building a partnership becomes extremely difficult.

CHALLENGES IN BUILDING PPPS IN FDOV AND FDW

In evaluating the selection procedure for FDOV and FDW, the applicants faced various challenges in formulating a partnership.

FDOV participants had difficulties, in particular, in
1. aligning the interests of all partners;
2. complying with the required composition of the partnership;
3. raising the private contribution; and
4. building trust.

FDW participants had difficulties
1. defining the aim of the partnership and
2. setting up its governance structure.

Phase 3: Implementation

Overview of key elements to be considered in the implementation phase of a partnership:

• Carrying out the activities planned in earlier phases.
• Dealing with constituencies.
• Routinizing structures and governance.
• Adapting to changing circumstances while continuing to build the partnership.
• Ensuring the balance of power.
• Working with monitoring systems.
• Applying lessons learned from monitoring.

Often the building phase and the implementation phase will have some overlap, as certain elements are developed along the way. In addition, partners will need to deal with any unexpected obstacles that might arise, while at the same time continuing to implement the proposed activities. Partners need to start routinizing the structures and governance of the partnership, at the same time keeping a watchful eye on the balance of power between the partners themselves and between the partners and the other stakeholders.

A final important part is the monitoring of the activities and their compliance with the agreement that has been drawn up between the partners. Monitoring the activities will help in assessing whether adjustments are needed to improve effectiveness, and will also feed into the next phase.

Phase 4: Moving On

Overview of key elements to be considered in the moving on phase of a partnership:

• Reviewing the effectiveness and value of the partnership.
• Developing ownership among the relevant stakeholders.
• Searching for new funding mechanisms.
• Making a decision about moving on: continuation, replica-
  tion, scaling, or ending.
• Forming new partnerships.

Monitoring feeds into the evaluation process, which assesses the partnership and helps decide on subsequent steps. If the partners feel that the partnership has had successful results, it may be possible to develop a replication or even a scaling-up of its activities. This could entail expanding the geographical range or increasing the number of activities. It is also possible that the procedures and processes of the PPP become institutionalized among the most relevant stakeholders. Another possibility is that the objective with which the PPP was concerned has been realized, and there is no longer a need for the partnership. Sometimes it is possible to search for new funding mechanisms for the partnership, or even to form new partnerships concerned with the same issue. It is of key importance for the most relevant stakeholders to develop ownership of the interventions as much as possible. Of course, it is also possible that the interventions do not obtain their desired effects, and that the costs turned out to outweighed the benefits. In such cases, a termination of the partnership might follow, and a good exit strategy should be in place.

2. Critical Success Factors

Understanding how PPPs' chances of success can be improved also depends on the way in which success is defined. Here, success is understood as the realization of the goals that were set when the partnership was being developed (in the formation and implementation phases).

In a recent study, almost 300 state, market, and civil society actors were questioned on their experience in complex partnerships.[6] This resulted in a list of the five top critical success factors for partnering, which show what practitioners find relevant.

Clarity of roles, responsibilities and ground rules must be agreed upon together in the initiation phase of the partnership. These allow for accountability between the partners and towards stakeholders.

A clear understanding of mutual benefits makes it acceptable for each partner to gain positive outcomes from the partnership.

Openness and transparency about what each partner would like to achieve is essential.

6] Drost, S. & Pfisterer, S. (2013) PrC (2013²) p16

This relates to a clear vision of objectives and communication, shared planning, and decision making. By drawing up a shared vision in the building phase of a partnership, the risk of discrepancies between the partners' expectations and the outcomes is decreased. Partners need to take enough time to clarify and negotiate these objectives at the beginning of the partnership. Clear communication is essential throughout the partnering process, and is the most prominent mechanism for building relationships between partners.

The final factor of good leadership is imperative for successfully guiding a partnership. Without the guidance of one or more partners, gaps among the stakeholders tend to develop. A leader can act as a broker and help the partnership forward in case of stagnation. Ideally, a collective leadership form is developed in which partners understand that they have a shared responsibility in taking the lead in the collaboration. The common denominator of these five factors is that they all require a certain level of joint activity. Planning, communication, setting the rules, and moving towards a collective style of leadership all require a degree of mutuality.

*Key lessons
on partnering in FDOV
and FDW*

Several key lessons have been identified in the survey on the selection procedure of FDW and FDOV. When making trade-offs in PPPS these key lessons should be kept in mind.

1. **ALIGN INTERESTS:** devote sufficient time and attention to aligning the interests of all partners.
2. **BUILD TRUST:** openly consider barriers to building trust and what can be done about them; in particular, specify how the 'ownership' of the end results will be safeguarded.
3. **INCLUDE KEY STAKEHOLDERS:** consider the stakeholders that are needed to deal with the issue you would like to address: who is missing, and will this hamper (in the future) the impact of the partnership? Also consider the (potential) partnership role of the ministry and the embassies (especially FDOV).
4. **INSTITUTIONALIZATION:** consider how you are going to embed the partnership in your own organization; if the partnership is not well embedded, it will be more difficult to manage.
5. **EXPERIENCE WITH PARTNERSHIPS:** if you have little experience with partnering in general, or if all partners in the partnership are new to one another, count on needing some additional time to build the partnership.
6. **FUNDING:** think of innovative ways of raising the required private contribution.

Source: PrC (2014)

Figure 2:
Underlying Mechanisms
of Mutuality

ACCOUNT-
ABILITY

MUTUALITY

CONFIDENCE

COLLECTIVE
IDENTITY

COORDI-
NATION

Adaptation of figure 'Key Mechanisms and Practices in the Partnership Approach' in: Pfisterer, S., Payandeh, N. (2014). Partnerships Resource Centre (2014). Unity in diversity, mechanisms and practices of cross-sector development partnerships to create mutuality. The Partnerships Resource Centre: Rotterdam.

3. Mutuality in the Partnering Process

In all the elements of the partnering process, mutuality plays a key role. Common goals support the mutual relationship between the organizations, especially when the partners find that the joint objectives are consistent with their individual missions.[7] Achieving a degree of mutuality provides partnerships with the potential of creating both collective and individual value.[8] Still, partners will always need to perform a balancing act between their own preferences and those of the collective

In order to ensure mutuality between partners, four important underlying mechanisms can be identified:[9]
1. coordination,
2. accountability,
3. a collective identity, and
4. confidence and transparency.

Coordination

In coordination, the envisioned tasks to be carried out are organized in such a way that they are trusted to different partners, enabling them to cooperate effectively.

This can be achieved by
• engaging all partners in collaborative decision making,
• distributing tasks in accordance with the unique expertise of the partners,

7] Brinkerhoff (2002[2]); 8] Pfisterer, S., Payandeh, N. PrC (2014); 9] Pfisterer, S., Payandeh, N. (2014).

• facilitating spaces for informal interaction and feedback, and
• fostering a culture of mutual adjustment of individual activities.

In this way, the activities of the different partners should complement one another.

Accountability

Accountability in partnerships is not only necessary between partners (that is, internally), but also towards beneficiaries and other stakeholders. The aim of accountability is to ensure a power balance between the partners internally and also with the outside world. It requires the sharing of information, which forms a foundation on which to build confidence and mutual understanding

To achieve accountability, partners should:
• base their work on agreements between the partners,
• engage in joint reporting, monitoring, and evaluation,
• ensure participative decision making, and
• undertake joint field visits; and hold meetings.

Yet the partners should also maintain a certain level of flexibility in the governance structure, so to be able to deal with unexpected changes.

Collective Identity

Developing a collective identity further binds the partners together. It should make each partner feel as if they are part of something greater than their own organization. Ideally, the partners will come to a shared sense of purpose, of vision, of complementarity, and of working together and achieving something larger than they could do alone.

In a practical sense, this can be shown by developing a website, logos, banners, and slogans for the partnership. It should stimulate the partners to think of themselves as a collective and to refer to the partnership as 'we', instead of in terms of the individual organizations. This collective identity will help in marketing the partnership as well as in supporting the sustainability of the collaboration between the partners.

Confidence and Transparency

If the partners have confidence in each other and in the joint partnership, the end results are often significantly better. Confidence involves an appreciation of each other's qualities, a sense of trust in professional and ethical behavior, and the quality of the mutual interactions.

Transparency in a partner's own organization and activities leads to a mutual understanding of each other's comparative advantages and constraints. Transparency will also ensure clarity in the expectations and results of the partnership.
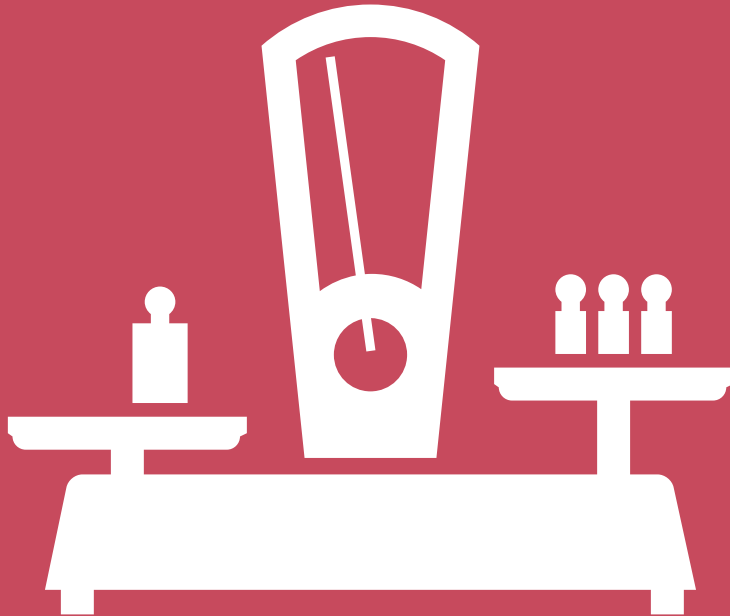
4. Trade-offs

Evidently, keeping an eye on the common critical success factors is important. However, it is equally important to pay attention to a number of trade-offs. These include the striving for maximum efficiency versus the inclusion of all stakeholders, and the striving for the stability of the partnership through structures and procedures versus the flexibility to deal with emerging issues.[10]

The often ad hoc, flexible nature of partnerships can create problems when it comes to transparency and accountability. When partners do not take enough time in the formation and building phases to carefully consider all the elements described, this unfinished business is very likely to return in the form of bottlenecks.

The trade-off in this case is between quickly moving ahead with a partnership in order to start implementing activities as soon as possible, versus accepting a slower pace and ensuring that there is adequate organization, governance set-up, and planning in place, as well as the time needed to develop mutuality.

10] Pfisterer, S. (2013) PrC (2013[1]) p57

Confidence

It is known from extensive research that stakeholders often lack confidence in each other.[11] Partnerships therefore need to find a balance between the individual partners' organizational preferences and mutuality.[12] If there is lack of confidence, more time will need to be invested in ensuring openness and transparency between the partners.

Culture

Another common challenge occurs when different cultures try to work together. Organizations from public and private spheres often speak a different kind of language. Businesses do not operate in the same way as government or civil society organizations. When creating partnerships, it is necessary to be aware of the differences in each other's views, motivations, and ways of working. Complementing each other is only possible through realizing and accepting differences and finding a way to make it work. Again, a balancing act is needed to discover what type of working culture best fits the partnership.

Leadership

In most partnerships, one party is likely to take on a lead role. This does not need to be an issue, as long as the partners keep an eye on the power balances. There might be a large multinational, an NGO, or a government body with many resources at the table, alongside representatives of smaller, possibly local, NGOs, governments, and businesses.

All partners should be able to contribute to setting the agenda and objectives of the partnership. Suspected hidden agendas in partnerships can often stand in the way. Therefore, it might be helpful to make explicit what the contribution of each partner is. If the partners are capable of working together in an open and transparent way, focusing on mutual benefits and taking equality as starting point, then the probability of a trustworthy collaboration, based on respect, increases.

11] Pfisterer, S. (2013) PrC (2013[1]) p57.; 12] Brinkerhoff, J.M. (2002[2]).

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PPPLab Food & Water is a four-year action research and joint learning initiative (2014–2018) to explore the relevance, effectiveness and quality of Dutch-supported public-private partnerships. This booklet is one of a series of 'Insights Series' booklets.