# Exploring the Policy Space between Markets and States: Global Public-Private Partnerships

by

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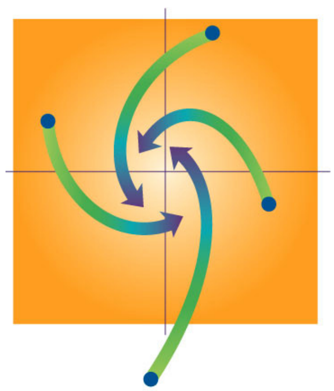

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# EXPLORING THE POLICY SPACE BETWEEN MARKETS AND STATES

## *GLOBAL PUBLIC-PRIVATE PARTNERSHIPS*

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Public-private partnerships have emerged in many countries, both industrial and developing. These partnerships straddle the conventional divide between state and nonstate actors. They often involve partners from government, business, and civil society. These public-private partnerships go beyond mere contracting across actor lines. They typically entail some joint decisionmaking and sharing of responsibilities, opportunities, and risks. They are, as the name suggests, about partnering.

Nationally, public-private partnering has been on the rise in recent decades. More and more projects, such as the construction and operation of airports, hospitals, roads, and water systems, are set up in this hybrid form. Similarly, norm and standard setting, such as devising and monitoring environmental standards, is increasingly being undertaken by public-private partnerships. And the same holds true for research and development in many areas.[1]

More recently, there has also been rapid growth in the number of public-private partnerships that address global concerns, such as climate stability, control of communicable diseases, and the fight against world poverty and hunger. Some of these global partnerships, like the World Water Council, function as advocates, contributing to international policy dialogue and outreach.[2] They are concerned primarily with the negotiating and policymaking side of international cooperation. Others, like the Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund), are more operational.[3] They act on the policy implementation side of international cooperation. This second group is the focus of this chapter.

By some estimates the number of these global operational partnerships has risen from some 50 initiatives in the mid-1980s to at least 400 today (Broadwater and Kaul 2005). It thus seems timely and important to take stock and gain a more structured understanding of this growing phenomenon—of what these

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partnerships intend to do, how they are organized, and how they fit into the landscape of international cooperation.

This chapter provides an overview of global public-private partnering today. Based on a sample of initiatives, it develops a typology of partnerships, followed by in-depth profiles of the main classes and types. It also examines why global public-private partnerships have grown in prominence and how likely this trend is to continue.

From this discussion three main findings emerge. One, global public-private partnerships come in many forms—driven by different motivations, pursuing a variety of purposes, and following different modes of partnering, depending on the outcome they seek.

Two, global public-private partnerships seem to be here to stay. They occupy an increasingly open middle ground between markets and states, permitting more nuanced and potentially more effective policymaking. They demonstrate that when markets fail, the policy response does not have to be government intervention alone. It can also be partnering. And where governments fail, the response is not necessarily to turn to the market. Again, it could also be public-private partnering.

Three, the implications of global public-private partnerships for the conventional system of international cooperation are potentially far-reaching and mixed. Designed to be nimble, single-focused, results-oriented, innovative, and risk-taking, the partnerships can do many things that the typically larger intergovernmental organizations find difficult to accomplish. Thus they complement the conventional system in important ways. Global public-private partnerships can sometimes also present a challenge to intergovernmental organizations by competing for financial resources. And sometimes resource-constrained intergovernmental organizations enter into private sector-initiated partnerships that generate low global social returns.

Thus there is the possibility of a discrepancy between multilateral policy and operational priorities. To the extent that ad hoc partnerships assume the role of delivering international cooperation projects, only some policy priorities—those that reflect the priority concerns of the financiers—may get implemented, while others languish, starved of necessary funding.

In light of these findings, the chapter discusses how the suggested typology of partnerships could guide a more systematic approach to global public-private partnering, notably on the part of intergovernmental organizations. It suggests that the typology can be used to analyze, design, and manage partnerships; evaluate them; and foster their accountability to stakeholders.

The main conclusion: the wave of government reengineering and market-state rebalancing that has swept across many countries in recent decades has now reached the arena of international cooperation. Global public-private partnerships are an expression of this change and contributors to it. This makes it all the more important to develop a more systematic understanding of partnering—to benefit from its opportunities and avoid its pitfalls.

The reflections here are preliminary. This chapter examines the intended or stated purposes of partnerships, not their actual performance and effectiveness; their organizational design, not their actual governance or management processes. As a result, the goal of the chapter is limited: to see more clearly what global public-private partnerships intend to accomplish, where they are headed, and what their contribution might be to meeting global challenges. It is left to future research to examine whether these partnerships are accomplishing what they set out to do—and how they affect international cooperation. And future research and policy debate will also have to revisit and further test and refine the typology of partnerships suggested here.

## An overview of the landscape of global public-private partnerships

Gaining an overview of the current landscape of global public-private partnerships requires understanding their defining characteristics. This section presents a working definition of global public-private partnerships and uses it to scan the domain of international cooperation for qualifying initiatives and to develop a typology of global public-private partnerships.

The typology that emerges reveals that global public-private partnerships differ widely, depending on what motivates them, what goal they pursue, and the nature of the partnership product or intended outcome (whether it has the properties of a private, club, merit, or public good).[4] While the diversity might at first seem puzzling and difficult to absorb, it shows that public-private partnering can be a highly versatile, flexible, and therefore potentially very useful organizational form.

### *Defining global public-private partnerships*

The current literature offers multiple definitions of public-private partnerships.[5] This is not surprising for such a recent phenomenon, with many dimensions still to be fully recognized. For some analysts partnerships are about shared agendas as well as combined resources, risks, and rewards (UN Foundation and WEF 2003). For others they are a form of governance (Boerzel and Risse forthcoming). Yet others see them simply as a collaborative effort for creating the conditions to improve performance (North 2004). As shown later, partnerships can be found that exhibit all these and other properties. The challenge is to formulate a definition that is wide enough to capture the broad gamut of partnerships yet precise enough for analytical as well as policy purposes.

A definition highlighting five characteristics of global public-private partnerships seems to meet these criteria (box 1). The first three characteristics are

Box 1

**THE FIVE DEFINING CHARACTERISTICS OF GLOBAL PUBLIC-PRIVATE PARTNERSHIPS**

- *Voluntary.* Arising from the partners' self-interest.
- *Horizontally organized.* Maintaining the partners' autonomy.
- *Participatory.* Involving joint governance and specifying the issues on which partners will consult or decide jointly.
- *Multiactor-based.* Bringing together different actor groups, such as government and intergovernmental organizations, business, academia, civil society, and charitable or philanthropic foundations.
- *Global.* Addressing issues or involving activities of worldwide reach and sometimes of multigenerational scope.

common to all partnerships: a voluntary collaborative effort by multiple agents, an organizational structure that maintains the agents' autonomy and identity, and a governance structure that allows sharing control rights and decisionmaking powers. Partnerships can be formed by agents of a single actor group. Examples include the professional partnerships common in law and medicine (Levin and Tadelis 2004) and joint ventures between businesses, such as those between large manufacturing companies and small research and development firms (Stiglitz and Wallsten 2000). Governments also enter into partnerships with each other, as in the New Partnership for African Development.

Public-private partnerships also involve agents from different actor groups. Thus they have a fourth characteristic, that of being multiactor-based, involving government agents, business, academia, civil society, and charitable or philanthropic organizations in varying compositions and roles. And to qualify as a global public-private partnership, a partnership should also have a fifth characteristic, that of addressing issues or activities affecting several regions—and sometimes several generations.

At least 400 initiatives were found to exhibit these five characteristics and to perform primarily an operational role, based on a screening of databases, reports, and other studies.[6] They exist in virtually all realms of activity, with the greatest number in the health and environment sectors, which each account for about a fourth of the total.[7] Initiatives addressing finance, investment, and enterprise development, with a focus on extending relevant markets and products to developing countries and to underserved communities such as the rural poor, account for about a 15 percent share. The remaining global public-private partnerships cover concerns ranging from agriculture and food security to communication and transport, peace and security, multisector development, and governance, including corruption control.

### *A typology for global public-private partnerships*

From this (no doubt incomplete) universe of global public-private partnerships, a sample of 100 was chosen using two criteria: the sample should roughly mirror the sectoral distribution of partnerships in the universe, and the information needed to construct a typology of partnerships should be available. Information was collected on seven variables (listed as the headings of columns 2–8 of table 1), using published sources, including self-assessments (mission statements, activity reports) and external assessments (evaluation reports and other literature). Because the analysis is based on published materials only, many of the findings are preliminary, and further research is needed to ascertain their robustness.[8]

### *Three venture classes and seven functional types*

Clearly, many forms of global public-private partnerships exist. But so do many configurations of firms, government agencies, and civil society organizations. Reality is often complex, something that tends to be noticed more when encountering a still unfamiliar phenomenon. Therefore, it might be useful to examine table 1 step by step. Column 2 suggests three basic classes of global public-private partnerships:

- *Business ventures, s*eeking mainly private gain that would accrue to at least one partner.[9]
- *Double bottom-line ventures,* seeking to combine private returns on investment with such social or public-interest goals as enhanced energy or water provision in poorer countries.
- *Social ventures,* pursuing as a primary objective such public-interest concerns as poverty reduction, communicable disease control, and sustainable development.

Business ventures and social ventures each include three types of partnership (column 3), distinguished by functional purpose, while double bottom-line ventures include just one type, together making seven partnership types (see also box 2).

The functional types highlight the pioneering character of many global public-private partnerships. The partnerships try to accomplish something out of the ordinary by trading comparative advantage (type 1);[10] exploring new products and markets (type 2); improving market inefficiencies by developing and disseminating new norms and standards (type 3); expanding markets into new countries and to new consumer groups, including the rural poor (type 4); brokering special market deals (type 5); encouraging actors to innovate and undertake research and development (type 6); or pulling together all available forces and resources to respond to a pressing global challenge (type 7).

Business ventures occur where the good or service to be produced by the partnership has the properties of a private good or club good and can therefore be relatively easily appropriated (see table 1, column 4). The products of double bottom-line ventures are typically of a mixed nature, offering private bene-

TABLE 1

**Typology of global public-private partnerships**

| Type | Venture class | Partnership purpose | Nature of partnership product |
|---|---|---|---|
| 1 | Business venture (private interest) | Trading comparative advantage | Private good |
| 2 | | Pioneering new institutions (notably new markets) | Private good/club good |
| 3 | | Defining rules/ setting standards | Club good |
| 4 | Double bottom-line venture | Advancing the frontiers of markets | Private good/ national public good |
| 5 | Social venture | Brokering "affordable price" deals | Merit good[b] |
| 6 | | Leveraging research and development | Merit good[b]/private good |
| 7 | | Managing for strategic results | Merit good[b] |

a. M+ refers to market transaction complemented by a joint governance component; CA– refers to collective action occurring voluntarily, without government coercion or any other constraints.
b. Denotes a private good that society chooses, for efficiency, equity, or other reasons, to make available for all.

fits to the business partners and public benefits to a third party, often an emerging market economy or a particular group within these economies, such as small or medium-scale entrepreneurs. Social venture partnerships are concerned primarily with producing merit goods. They often aim at making an essentially private good, such as a vaccine, universally available and thus quasi public in consumption.

Judging from their stated goals, all global public-private partnership types, and so all venture classes, ultimately seek to contribute to a global public concern, even if only through spillover effects (see table 1, column 5). For example, several type 2 partnerships are exploratory investment initiatives linked to projects that contribute to reductions in greenhouse gas emissions and to the larger goal of climate stability, among other goals. They generate both direct private benefits, such as financial returns and the possibility of learning by doing, and global public bene-

| Partnership product contributes to | Partnership mode[a] | Legal status of partnership agency | Main sources of financing |
|---|---|---|---|
| Global public good | M+ | For-profit/nonprofit | Payments for services, reassignment of right to collect revenue |
| Global public good | M+/CA– | For-profit | Cost-sharing contributions from partners |
| Global public good | CA– | Nonprofit | Fees, charges |
| Global public good | M+ | For-profit | Equity and other capital, guarantees |
| Global public good | M+ | Nonprofit | Differential contracting/ patenting, purchase guarantees |
| Global public good | CA–/M+ | Nonprofit | Donations, differential patenting |
| Global public good | CA– | Nonprofit/unit of intergovernmental organization | Donations |

fits. The fact that the world may derive some benefit from the partnership, even when the partners are the primary beneficiaries, is often the basic justification for the involvement of a public actor. And where a third party is the primary beneficiary, such as the poor in developing countries, the spillover effects may ensure that at least in some diffuse and indirect way, the partners also gain something, say, enhanced international peace and security or improved global health conditions.

***Two basic modes of partnering***

There are two basic modes of partnering (see table 1, column 6). Partnering can be an extended form of a market transaction (labeled M+). Or it can take the form of a voluntary collective-action initiative (labeled CA–, with the minus sign indicating the voluntary nature of partnering—its occurrence without government coercion).

Box 2

**SEVEN MAIN TYPES OF GLOBAL PUBLIC-PRIVATE PARTNERSHIPS**

Global public-private partnerships operate in many sectors and address a wide variety of concerns. When grouped by their main purpose, they fall into one of seven types of partnership:

- *Type 1.* Trading comparative advantage, so that the trade-initiating (purchasing) partner can benefit from the strengths of the provider partner or so that each side can benefit from the other's special competencies and assets.
- *Type 2.* Pioneering new institutions (especially for missing markets) to test their desirability and feasibility, learn by doing, acquire expertise, and perhaps eventually enjoy a first-mover advantage.
- *Type 3.* Designing rules and setting standards to facilitate interactions, notably in technical areas, and ensure that emerging rules match each partner's circumstances and interests.
- *Type 4.* Advancing the frontiers of markets to open up new business opportunities and reduce poverty or advance sustainable development.
- *Type 5.* Brokering affordable-price deals to make critically important private goods more broadly available in poor countries.
- *Type 6.* Leveraging research and development, especially in areas of concern to the world's poor.
- *Type 7.* Managing for strategic results, in particular where problems require urgent attention.

*Market transaction "plus" mode.* Institutional economics, notably the theories of transaction costs and incomplete contracting, helps to elucidate why market-based partnerships occur.[11] The literature on partnerships compares them with the standard, on-the-spot form of market transaction, seeking to identify why agents sometimes choose other arrangements, like a firm or partnership. Under certain conditions closer, more frequent, and prolonged contact between transacting parties may be cheaper than an on-the-spot complete transaction. This can be the case where the good to be exchanged is complex or difficult to observe or where the contract spans a long period, making it infeasible or undesirable to specify all eventualities up front and to draw up a complete contract. Leaving certain issues open and agreeing on a governance procedure for settling them later (incomplete contracting) may enable purchasers and suppliers to better manage risks and uncertainties. Williamson (1985) refers to these transactions as "relational contracting." Here, they are called market transaction plus arrangements, or M+. The plus indicates that they are essentially market transactions—but with a governance component.

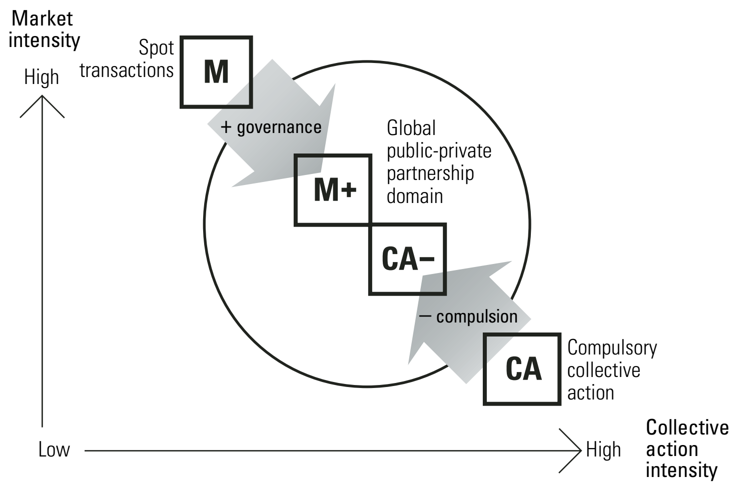
*Collective action "minus" mode.* Public goods theory helps explain the second form of partnering, the voluntary collective action mode—collective action minus state coercion. Theory predicts that public goods, including externalities generated by private consumption or production activities, are important sources of market failure. Agents may try to free ride on a public good by hiding their true preference and letting someone else provide it. If all or many agents act this way, public goods will be suboptimally provided, thus justifying government intervention, including use of the state's coercive powers of taxation, regulation, and enforcement.

However, several studies have shown that reality sometimes deviates from this state-centered concept of public goods provision. At the national level voluntary collective action is most likely when a good is highly valued and the actors who must cooperate to ensure adequate provision are homogeneous and small in number and so can be relatively easily organized.[12] Some partnerships engage in such voluntary collective action and so can be described as collective action minus, or CA–, by comparison with the standard form of public goods provision. The minus indicates that collective action occurs voluntarily, free of the compulsion or special inducements (such as tax credits) that tend to accompany government-based collective action.

Some people would argue that all cases of intergovernmental cooperation are voluntary acts among sovereign nation states. What then sets global public-private partnerships apart? For one, they are not just intergovernmental but also multiactor. For another, multilateral negotiations have become large-number events, and agreement is usually more difficult in large groups than in smaller groups. Thus, actors with "minority" views and interests may at times feel overwhelmed by the majority concerns and pressured into a decision that they may not fully endorse. For a third, multilateral negotiations are more formalized and embedded in prior policy agreements. As a result, multilateral collective action is often less voluntary than it appears. Therefore, actors who want to effect a particular change may form partnerships (which tend to be composed of a limited number of actors). They may even help finance them to make this change happen.[13]

There is no set link between partnering mode and venture class. The M+ mode, which is a market mechanism, finds uses in both business and social ventures. The CA– mode also occurs in both these venture classes. Double bottom-line ventures seem to use only the M+ mode. Partnerships are "middlings"—organizational forms between markets and states—and so partnership modes can be of two different types, either an expanded market transaction or a curtailed, compulsion-free collective action (figure 1). The choice of the partnering mode reflects the type of partnership product to be produced. If the product has private-good properties, the partnering mode will be M+; if the product has the characteristics of a club, merit, or proper public good, the mode will be CA–. Some partnerships produce a mixed bundle of goods, and therefore they employ multiple partnering modes, M+ and CA– (see table 1, column 6).

FIGURE 1
**Global public-private partnerships—the new policy space between market and state**




***Partnering as cogovernance, cofunding, and coproduction***

By the definition used in this chapter, partnerships provide for a sharing of decisionmaking rights among partners. And judging from the sample of partnerships surveyed in this chapter, most if not all have a joint decisionmaking mechanism such as a governing board. Since partnerships are voluntary, they are unlikely to succeed—or at least unlikely to function smoothly—where partners disagree seriously about decisionmaking arrangements. Whether partnering is of the M+ or CA– form, agents are likely to expect an effective voice or—to use Hirschman's (1970) phrase—exit.

So, is partnering primarily a matter of cogovernance and power sharing? Yes, in many instances it is. Most partnership types are implemented by an agency that has either a for-profit or nonprofit legal status (see table 1, column 7). While the public and private members of governing boards provide overall guidance, day-to-day operations are usually left to a chief executive officer. In some instances the partnership agency's funders may include both public and private members. In other instances both public and private providers may be contracted to deliver inputs into the partnership product.[14] Partnering can thus be a one-, two-, or three-layer process, reaching from joint governance to cofinancing of partnership activities and co-implementation—with several variants in between.[15]

***Financing through donations, capital, and other payments***

With partnering happening for multiple reasons and in various forms, financing patterns also differ. Social ventures function primarily as nonprofit organizations and, accordingly, rely on donations for financing (see table 1, column 8). Thus, it is not surprising that social ventures often benefit from financial inputs by charitable and philanthropic foundations. Donations take many forms—financial and in-kind contributions and willingness to engage in differential pricing or patenting, as, for example, in type 5 partnerships. Double bottom-line ventures are mostly for-profit investment funds, pooling different types of capital, including that from public partners such as aid agencies. Sometimes such partnerships also benefit from public sector guarantees. Business ventures rely on a variety of financing arrangements, ranging from payments for services rendered to mutual investment funds and membership fees.[16]

A growing literature has examined why entrepreneurs sometimes prefer nonprofit organizations over for-profit enterprises. The argument is similar to that advanced by Williamson (1985) and others in support of relational contracting: provision of a difficult-to-monitor good.[17] As Hansmann (1980) argues, the fact that nonprofit organizations usually operate under a "distribution constraint" reassures donors and clients that they take their mission seriously and that profit considerations (by governing partners or management) will not interfere with the quality of the product being produced.[18]

Despite these considerations, partnerships of the double bottom-line type (type 4) with the status of a for-profit enterprise have been increasing. Some analysts (for example, Hansmann 1987) attribute this trend to the limited capacity of nonprofit organizations to tap private capital markets. As private capital markets expand and more governments experience a fiscal squeeze, initiatives trying to meet a double bottom line are attracting growing attention. Public investors usually try to limit their involvement to risk sharing, and they expect the bulk of the investment funds to come from private financiers.

## PROFILES OF PARTNERSHIP TYPES

This section examines the venture classes and partnership types, providing examples of each. All the case descriptions seek to answer one question: why public-private partnering?

The discussion reinforces the finding, mentioned previously, that global public-private partnerships pursue ambitious missions—goals aimed at breaking new ground and reaching higher levels of achievement. Partnerships capitalize on the differences between public and private actors—differences in incentive structures, competencies, and assets. They trade, pool, and match in often innovative ways the comparative advantage that partners offer. This also is why global public-private partnerships deserve to be called "ventures."

***Business ventures***

The motivating force behind all business ventures is private gain. Accordingly, markets play an important role. Type 1 partnerships use existing markets to trade comparative advantage between actor groups.[19] Type 2 partnerships explore new products and new markets, typically mixing and matching partners with different interests and competencies in risk bearing, different roles (purchaser, provider, regulator) in the new market, and so on. And type 3 initiatives aim at reducing market imperfections, again bringing together different actor groups to negotiate jointly and if possible to reach consensus on norms and standards.

Partners may expect quite different things from the partnership. In type 1 partnerships often only one partner derives a partnership-specific benefit, like cost saving (frequently sought by public agents) or a "social license to operate" (which may motivate private actors). For the other actor the partnership may be simply another opportunity to get access to resources or earn an income. In type 2 and type 3 initiatives each partner may walk away with a gain that it may not even have communicated to the other partners, lest that weaken its bargaining power.

*Type 1: Trading comparative advantage.* The impetus for type 1 partnerships is that actors see agents on the other side of the public-private spectrum as better equipped to implement a particular task or project. They may perceive the other as being better at resource mobilization, risk bearing, efficient management, or product quality. By contracting out "their job" to the other actor group, purchasers hope to realize such benefits as financial gains (cost savings), improved results and impact, and enhanced reputation. Partnering thus takes the form of trading comparative advantage. In many instances it involves an exchange of comparative advantages—special competencies or assets—against money. This means that a partnership-specific benefit accrues only to the purchasers. For the provider partnering often has little more to offer than an increase in profit potential or project funding.

However, because a difficult matter is at stake (such as the private provision of a public good or a public input to a private firm's reputation), the trade between the partners is typically not of a spot nature, conducted at arm's length. Rather, it tends to involve—as the definition of partnership requires—joint governance by the purchasing and supplying parties.

In a national context government agencies are usually the initiating agent in a contracting-out arrangement, often following the private finance initiative model developed in the United Kingdom.[20] The reverse holds true internationally, where the number of private to public contracting-out arrangements is large and growing and there are few initiatives in which a public agent is the purchaser and a private business the provider.[21]

The Galileo satellite navigation system, an international public to private contracting-out arrangement, is one of the few exceptions (appendix box A.2).

Through partnering, the public project owners, the European Commission and the European Space Agency, have shifted major responsibility for financing to the private sector. This allows the commission to undertake the project without unduly burdening its budget. But why partner? Why choose contracting out rather than a standard market transaction such as outsourcing, which turns complete control of implementation over to an alternative agent but lacks the joint governance aspect of partnerships? The answer: to benefit from incomplete contracting and shared decisionmaking (through the project's governing body, the supervisory authority), which the commission considers critical for safeguarding the public-interest dimension of the project. The project is thus an example of an M+ arrangement.[22]

Examples of private sector-initiated contracting out abound, in particular the many—and rapidly proliferating—projects financed by businesses, often transnational corporations, with implementation delegated to a bilateral or multilateral aid agency or group of agencies, often involving the participation of civil society organizations. These initiatives form part of the philanthropy or corporate social responsibility programs that often accompany a company's outreach to foreign markets. The objectives span a wide range of concerns—from poverty reduction and human rights to global health, disaster management, and sustainable development (appendix box A.3).

The benefit sought by the private actor can be economies of scale to be achieved by joining a campaign that has already secured other funding and promises to generate visible impact with which the company can be associated. Companies can also benefit from economies of scope, by handing implementation over to an aid agency or other public organization that has a delivery network in place and that is often a more qualified provider of public services. Delegated implementation can protect the company against the potential risks entailed by a philanthropic or corporate social responsibility initiative.[23]

Partnering with a public agent may also confer a social license to operate on the private corporation. This motivation undoubtedly explains the increase in private to public contracting out of projects in which private agents lack the support of local communities, as is the case with many oil companies and other corporations in the extractive industries.[24] Being seen as an accepted peer of a respected public actor in a sustained partnership is an effective, relatively low-cost way of signaling social or environmental concern. A standard, on-the-spot market transaction is unlikely to generate the same reputation spillover.

For intergovernmental organizations the potential for resource mobilization has led many to reach out to private corporations and to supply project ideas for partnering. However, few of these supply-driven offers have attracted funding. Evidently, they did not speak to the range of interests and comparative advantages of the private actors solicited.[25] The prospect of resources also attracts public scientists to research partnerships funded and led by private industry, especially in the life sciences. Such partnerships usually facilitate bridge building between academic and commercially oriented research and between global technology development and local field-testing.[26]

*Type 2: Pioneering institutional innovation, notably new markets.* Whereas type 1 partnerships involve trading between partners in existing markets, type 2 initiatives are essentially about pooling differences—bringing affected parties together to jointly test new products and markets under conditions that replicate reality as closely as possible. And replicating reality means involving all potentially concerned actors. Often, the primary product to be produced is experience: learning by doing and perhaps acquiring a first-mover advantage on which to cash in, should the market take off. Each partner will draw particular lessons (a private good) from the joint experience of pilot trading (a club good) and perhaps will also enjoy a further private good, such as earned carbon credits or simply returns on investment. The Prototype Carbon Fund is illustrative of type 2 initiatives (appendix box A.4).

At present, market-exploring global public-private partnerships are mostly environmentally oriented, linked to such products as reduced greenhouse gases and the sustainable use of biodiversity in the face of new and pressing scarcities. For such partnerships to be effective, contributions must come from both potential providers and potential purchasers of the new product. Only when all parties are represented can the desirability and feasibility of the new good be determined and the trading mechanism be created. For carbon emissions-related markets such as the Prototype Carbon Fund, this means bringing in industrial country governments and concerned industries as the likely main purchasers, and developing countries, including their governments, industries, and local communities, as the likely main providers.

The Chicago Climate Exchange, which explores trading in greenhouse gas emission allowances, is another type 2 global public-private partnership (for a detailed discussion, see the chapter by Sandor in this volume). Another is the Climate Investment Partnership, which aims to familiarize public and private investors with carbon markets. It facilitates investor access to high-quality projects that generate carbon reduction credits, and it helps investors put together risk-sharing arrangements. The partners include an array of government environmental agencies, development finance agencies, private banks and investment funds, accountancy firms, and associations such as the Earth Council and the World Economic Forum.

An example of a partnership testing the nascent market for biodiversity products and services is that between Costa Rica's National Biodiversity Institute (INBio) and Merck & Co., Inc. INBio provides biodiversity samples to Merck & Co. for an annual fee. The partnership gives Merck & Co. lawful access to Costa Rica's rich biodiversity pool, while Costa Rica benefits from sharing any commercial gains that may flow from samples provided by INBio, as well as from the annual payment to INBio. Another trading arrangement for biodiversity, still under development, is the Multilateral System of Access and Benefit-Sharing, which is to be established under the International Treaty on Plant Genetic Resources for Food and Agriculture.[27]

*Type 3: Designing and strengthening norms and standards.* Type 3 partnerships are usually formed by concerned professional communities, public and private, to develop global norms and standards or to certify compliance with them. Some agents consider these partnerships to be so important to their private goals and objectives that they are willing to pay to participate (to influence rulemaking or obtain the club's seal of approval). Recognizing this willingness to pay, some providers of negotiating venues charge entrance or participation fees, used to finance club operations. Participants may also volunteer additional time and effort. Since norms and standards have public goods properties, type 3 partnerships employ the CA– mode: cooperation among concerned parties with a view to aligning different points of view and shaping the norms or standards under negotiation, to make them workable for all partners.

Many type 3 partnerships deal with highly technical matters and communicate with an audience of specialists (which is not to imply that they are distribution neutral or free of political ramifications). An example of an influential type 3 partnership is the International Organization for Standardization (appendix box A.5). Other examples are the Open GIS Consortium, Inc., established to resolve interoperability problems linked to the geographic specifications used in various information systems, and the Unicode Consortium, which seeks to standardize the way characters are referred to in software products. Another is the Internet Corporation for Assigned Names and Numbers, which oversees and manages the Internet's domain name system and its unique identifiers.[28]

A second set of type 3 partnerships promotes norms and standards that address a wider public. Among these are the Global Reporting Initiative, the Marine Stewardship Council, the Ethical Trading Initiative, the Fair Trade Labeling Organization, and Green Dot. These partnerships develop corporate social responsibility norms and standards and provide firms with a platform (such as being listed in a report) or a seal of approval to demonstrate their compliance with the defined norms and standards. They form part of, and are a response to, the growing trend toward self-regulation (Andrews 1998; Cutler, Haufler, and Porter 1999; Khanna 2001; Murphy and Bendell 1997). The argument behind self-regulation is that private agents come to recognize that norms and standards can be good for business as well as for society. Norms and standards thus become self-enforcing, obviating the need for compliance monitoring and enforcement by government.

A prominent global public-private partnership furthering self-regulation is the Global Compact of the United Nations Secretary-General. It invites businesses to sign on to 10 principles of human rights, labor conditions, environmental responsibility, and good governance, including the promotion of a corruption-free environment.[29] Some 1,300 companies from more than 50 countries have joined thus far (UN 2003). Commitment to the principles is spreading from large corporations to the firms in their supply chains, reducing risk and uncertainty for the provider of the final product (Calder 2003; McKinsey & Co. 2004). Transparency International, itself a global public-private partnership, collaborates with the Global Compact in the fight against corruption.

### *Double bottom-line ventures—type 4 partnerships*

The principal aim of type 4 double bottom-line ventures is to promote social goals such as poverty reduction, health, and environmental sustainability in developing countries through private sector development activities and with the help of private actors. The focus is on extending the frontiers of existing markets to new countries, areas, and consumer groups, such as the rural poor. Double bottom-line ventures invest primarily in small and medium-scale enterprises.

For many private investors, developing countries and rural small and medium-scale enterprises are unfamiliar clients. Public agents help to cushion the risks that might otherwise deter private investors. Sometimes the public agent is an aid agency, providing equity or other start-up capital for a private investment fund willing to meet the challenge. However, the private partner manages the actual investment activity, picking promising investment opportunities. Double bottom-line ventures are typically supported by a board composed of all shareholders.

Often set up as development venture capital funds, type 4 partnerships use equity and equity-like instruments, along with intensive technical and managerial assistance (Gibson 1999). Among the expanding array of global public-private partnerships of this type is NetMark Plus, a partnership that seeks through joint investment with international companies and local business promotion to ensure an adequate supply of insecticide-treated bednets throughout Sub-Saharan Africa to protect against mosquitoes that transmit malaria. Yet other examples are the African Trade Insurance Agency (appendix box A.6), AIG African Infrastructure Fund L.L.C., CleanTech Fund, Emerging Africa Infrastructure Fund (Emerging Africa), E7 Fund for Sustainable Energy Development, Patient Capital Initiative, Terra Capital Fund, Triodos Renewable Energy for Development Fund, and Small Enterprise Assistance Funds.

The International Finance Corporation of the World Bank Group has long facilitated investment for private sector development in developing countries, often arranging public-private financing packages. Although not a partnership itself, it has demonstrated the value of public-private partnering, and its project portfolio fits the pattern of double bottom-line ventures (IFC 2003). So does that of the World Bank Group's Multilateral Investment Guarantee Agency (MIGA

2003). Many newer funds benefit from the path that these organizations helped chart.

As are so many other partnerships, these initiatives are still in the experimental stage. And what is typical of venture capital in the national context also holds for these international endeavors: not all succeed. But when they do, they generate good returns for their investors and create an important national public good for the host developing country—a stronger, often larger domestic market system.

### *Social ventures*

Social ventures are oriented toward public service. Frequently, they are about exceptionalism—mobilizing contributions from all actors to accelerate change or offering incentives to encourage actors to look beyond private returns to enhance social welfare. Some set themselves the challenge of turning select private goods into merit goods with a view to reducing extreme poverty and its social ill-effects, such as the spread of communicable diseases, environmental degradation, and social unrest and civil strife. Others seek to enhance the provision of a public good, such as precommercial knowledge, that no single actor would be willing to provide.

The impetus for solving a seemingly intractable problem in many instances comes not from an intergovernmental organization but from private foundations or businesses that have the money required to act. Another reason is the dilemma of international cooperation: governance without government. Nation states tend to act internationally as private actors do nationally—in their own national self-interest. This causes a double jeopardy for the world's poor, whose concerns suffer from both market failure and international (intergovernmental) cooperation failure. Social venture partnerships often come in where these two failures coincide and threaten to lead to a global crisis.

*Type 5: Brokering affordable price deals.* Type 5 partnerships facilitate market transactions in which developing country governments are the purchaser and private firms the supplier. Brokers weave a partnership between the two sides. The main tool is the political clout and persuasiveness of the key mediator. The outcome is differential contracting and differential patenting—to make critical goods affordable for poor countries and poor people.

An example of differential contracting is the agreement negotiated by the Clinton Foundation, in collaboration with the Global Fund to Fight AIDS, Tuberculosis, and Malaria, the World Bank, and the United Nations Children Fund, under which developing country governments purchasing AIDS drugs and diagnostics commit themselves to longer term purchase contracts. In return, pharmaceutical companies offer the goods at their lowest possible price (appendix box A.7). The multilateral agencies provide financing guarantees, while the Clinton Foundation bundles demand.

Differential patenting is the approach chosen by Médecins sans Frontières for a deal involving Yale University and Bristol-Myers Squibb. Under the mediated deal Yale licensed an AIDS drug patent to Bristol-Myers Squibb, and Bristol-Myers Squibb permitted relicensing to a South African manufacturer. The result has been a thirtyfold reduction in the price of the patented drug.[30]

The African Agricultural Technology Foundation plays a similar intermediary role between resource-poor farmers in Sub-Saharan Africa and owners of proprietary biotechnology innovations. The foundation is not just a one-time arrangement but an institutionalized operation, and it plays an active intermediation role. With support from the Rockefeller Foundation and others it obtains technology licenses on a royalty-free basis, mostly from industrial country businesses, and sublicenses them to public and private actors in developing countries for adaptation to smallholder farming conditions.

Voluntary drug donations and price reductions by pharmaceutical companies probably also belong in this category of type 5 partnerships. Some of these contributions are made in response to public pressure from civil society. Civil society has acted as a powerful broker of market transactions, to make goods both more affordable and safer for people and the environment, helping to change the policy context and to ease the way for similar arrangements in the future.[31]

*Type 6: Leveraging research and development.* Both knowledge with commercial potential and noncommercial knowledge (such as knowing that hand-washing reduces exposure to infection) are key ingredients in development (Sachs 2003).

Private firms have a major role in research and development (R&D), with smaller companies often working on leading-edge issues and larger companies focusing on commercializing new technologies and products (Kettler, White, and Jordan 2003), while universities and other state-funded institutions tend to engage in basic science and research. Private firms have to overcome many technical screening barriers and institutional hurdles to bring a new product to the market. Thus an agent must have a strong incentive to see the process through. That incentive is usually the promise of a high market value for the product.

Products that respond to the needs of poor people do not hold this same promise, so R&D and product-development initiatives are often stunted. Especially neglected is pro-poor knowledge that is completely noncommercial, such as knowledge about hygiene and nutrition.[32] Type 6 global public-private partnerships try to correct these shortcomings by targeting incentives, mostly financial support, to R&D providers.

Given the many health challenges facing the poor and, through spillover effects, the world as a whole, several health-related pro-poor R&D and product-development partnerships have sprung up, including Aeras Global TB Vaccine Foundation, Global Alliance for Tuberculosis Drug Development, Hookworm Vaccine Initiative, International AIDS Vaccine Initiative, Medicines for Malaria

Venture (appendix box A.8), and Institute for OneWorld Health.[33] Other type 6 partnerships foster knowledge generation on critical environment issues, such as the Global Climate and Energy Project and the Global Water Partnership.

Some of these global public-private partnerships are akin in their functioning to the public-private R&D partnerships that have become common in the national context. Such partnerships began to emerge as governments found that R&D promotion often requires going beyond an arm's-length approach—going beyond tax credits, subsidies, or prizes. To ensure that public policy incentives generate more than company-specific private gains and benefit society more broadly, close interaction between researchers and their sponsors may be needed. This realization has given rise to several national public-private research partnerships (Audretsch, Link, and Scott 2002). Global R&D partnerships are similar, emerging in particular where there is a need to incentivize private industry to explore urgently needed knowledge products for which there is no readily available market and to ensure, through close public-private interaction, that the end product is of high quality and appropriately priced.

Thus type 6 partnerships are incentive vehicles. For many of the participating private actors, however, they constitute normal business operations. As Kettler, White, and Jordan (2003) note, smaller R&D companies, with their thin profit margins, cannot afford to engage in charity. They need effective financial incentives that let them clear their private investment hurdle—and make involvement in a partnership a meaningful business proposition.[34] Larger participating companies may offer in-kind contributions, such as use of laboratory facilities. But they may also gain from the partnership. For example, they may be offered the patent rights to the partnership product in industrial countries, while the partnership itself has the right to determine product use in developing country markets. Thus, partnering may provide a real incentive and net benefit even for larger companies.

An example of a global public-private partnership that seeks to generate new noncommercial knowledge or know-how is the African Comprehensive HIV/AIDS Partnership (its partners include the government of Botswana, the Bill & Melinda Gates Foundation, the Merck Company Foundation, and Merck & Co., Inc.). Its objective is to develop a model for a national public-private partnership to support effective and efficient implementation of health programs, analyzing and documenting its experiences and sharing the lessons learned. Strategies for Enhancing Access to Medicines for Health is also funded by the Bill & Melinda Gates Foundation and implemented by Management Science, a nonprofit firm, in collaboration with the World Health Organization (WHO), the United Nations Children's Fund (UNICEF), and national ministries of health in a number of developing countries. Its aim is to develop and test a franchise system for distributing essential medicines and vaccines through private retail outlets in underserved areas of developing countries.

*Type 7: Managing for strategic results.* Economic activity is usually organized along sectors (agriculture, health, finance, industry, trade), geographic lines (local, national, regional), or actor groups (civil society, firms, private households, the state). Yet many of today's policy challenges call for multisectoral, multilevel, and multiactor interventions. This discrepancy between the nature of the policy challenges and the institutions set up to respond to them causes many problems to be inadequately addressed and allows social costs to accumulate and assume crisis proportions.

To illustrate, intergovernmental organizations are well equipped to handle multilevel initiatives linking the international and national levels. But they find it difficult to tackle multiactor and multisectoral problems because of their intergovernmental nature and their usually limited, sector-specific mandate (Kaul and Le Goulven 2003). Business is better equipped to organize multidimensional production processes, but it often lacks the legitimacy and the incentives to do what type 7 global public-private partnerships do: to act as issues managers, orchestrating comprehensive change-delivery networks. Type 7 partnerships bring together public and private, national and international agents. By assembling inputs from all relevant economic sectors, type 7 partnerships increase the international community's overall problem-solving capacity. They follow issues through all the necessary steps, soliciting and combining inputs strategically to produce a clear result and make a noticeable difference. But they do so based not on coercion but on persuasion, in a CA– mode.

If the challenge is to achieve an important targeted result such as polio eradication rather than to deal with an acute crisis, the management partnership is likely to take a concerted but decentralized form. In the Global Polio Eradication Initiative, for example, partnering takes the form of agreeing on a common framework for action but pursuing follow-up initiatives independently. The lead partners are Rotary International, the U.S. Centers for Disease Control and Prevention, UNICEF, and WHO, which also serves as the initiative's secretariat.[35] Secretariats coordinate partnership activities and may also foster mutual accountability through meetings and reports that enable partners to learn how each is following through on its promises. Such secretariat services are usually performed by an intergovernmental organization on behalf of the partnership.

Issues management initiatives assume a more organized character and partnership offices become more proactive where concerns are more urgent and tasks more complex, with potentially far-reaching and serious consequences. The World Economic Forum's Disaster Resource Network illustrates such an initiative. It fosters collaboration among businesses, national governmental agencies, intergovernmental organizations, and civil society organizations to promote a more effective and coordinated response by all parties when disaster strikes.

The Global Fund to Fight AIDS, Tuberculosis, and Malaria perhaps best illustrates the type of strategic issues management that is the hallmark of type 7 global public-private partnerships (appendix box A.9). The Global Fund, with a governing board representing stakeholder groups, acts as the nodal point of the international community's efforts to control these three major global diseases. It looks to ensure that all necessary inputs are brought together internationally, channels support mostly to governments of developing countries and to other key actors, and helps build partnership-based initiatives for change at the country level. Among the activities that it supports at the country level are efforts to extend workplace-based health initiatives to the wider community. In this activity the fund collaborates, among others, with the Global Business Coalition on HIV/AIDS, a private sector-led public-private partnership. As issue manager the fund also encourages and draws on the work of other health-related global public-private partnerships, including several of those mentioned in this chapter, notably when discussing type 5 and type 6 partnerships.

In the future, mechanisms such as the Global Environment Facility might be reoriented along lines similar to those of the Global Fund to Fight AIDS, Tuberculosis, and Malaria in the event that such global environmental challenges as global climate change, depletion of oil reserves, or loss of biodiversity assume more threatening dimensions.[36]

## Implications for the current system of international cooperation

Although diverse in purpose and rationale, global public-private partnerships share a common characteristic: they are increasingly chosen in cases where some actors are ready to move and pay for exploring new avenues or averting a crisis. But why are they happening? Are they just a fad, a temporary shift in policy mood? Or are they here to stay? And if they are to become a fixture, how will they fit into the current system of international cooperation?

Much of the evidence presented below points to an enduring role for global public-private partnerships, with further growth in their number and importance. They are poised to change the current system of international cooperation from being primarily intergovernmental to being tripartite, drawing in all actor groups—state, business, and civil society.

### *Fad or fixture?*

An important driver of the growth in global public-private partnerships is the increased prevalence of national public-private partnerships and thus national actors' greater familiarity with this modality. The changes that have opened up space for such partnering nationally are structural in nature and thus likely to endure and shape economic activity and policymaking for some time to come.

For example, notions of market-state and public-private divides are closely linked to the former East-West conflict and the political rivalry between centrally planned and market-based economies. This conflict has vanished. Its demise has opened up opportunities for enhanced policy flexibility and for a more realistic assessment of the comparative strengths of different actor groups. Following an initial surge toward privatization and economic liberalization during the 1980s and early 1990s, recognition has grown of the importance to market efficiency of institutions and a well designed and managed public policy framework. These and other changes have contributed to less ideological, more mutually supportive relations between market and state and public and private agents.

Further, states have become more sophisticated in reaching out to markets, and markets have broadened and deepened so that they can now handle many more types of goods, including goods for the poor, thanks in part to innovative types of securitization and other advances in financial intermediation. The type 4 and type 5 partnerships in particular speak to this fact.

Also, partnering and networking have become important in many areas, flourishing in an environment of enhanced political and economic freedoms. These range from political alliance building among civil society organizations to the formation of joint ventures and alliances among firms. Public-private partnerships both emerge from and express these trends. Type 7 partnerships, for example, reflect this trend toward networked production.

Another driving force behind the growth in public-private partnering nationally and internationally is the increasing importance attached to corporate social responsibility. With more information becoming available on such issues as the environmental effects of various pollutants or the health hazards of materials used in manufacturing processes, stakeholders, especially civil society activists, are increasingly holding corporations accountable for the public effects of their production activities (Christian Aid 2004; GlobeScan Inc. 2002; Hopkins 2002; UNRISD 2004). Therefore, especially when operating in countries with lax labor or environmental standards, transnational corporations are concerned about supply chain management in the interest of protecting their brand and safeguarding their global corporate reputation. As noted, a number of the type 1 global public-private partnerships have been born of this concern.

A further impetus for public-private partnering internationally comes from the growing volume of common norms and standards and international law, including international agreements on intellectual property rights. To enable these rules to be applicable to a highly diverse world, exceptions are sometimes required. As was noted when discussing type 5 and type 6 partnerships, this need for exceptions is especially relevant in the health area today.

Finally, a large number of current global public-private partnerships, again notably in the health area, are linked to the tremendous increase in private wealth and in charitable and philanthropic foundations devoted to furthering public policy (Ferris and Minstrom 2002; Schervish 2000). Foundations are often the key promoters of social venture partnerships (types 5–7). Foundation funds and other private resources, such as those motivated by corporate social responsibility, are particularly attractive to intergovernmental organizations. It is important to consider, however, that this increased involvement of private resources may reflect current taxation policies and practices, and so may be less durable than the other forces driving the growth in public-private partnering.

Several recent policy documents call for greater use of public-private partnering, among them the report of the Commission on the Private Sector and Development (2004) convened by the United Nations Secretary-General and the report of the World Panel on Financing Water Infrastructure (Winpenny 2003). Facilitating partnering has become a new "business," both nationally and internationally. Organizations have been created specifically to promote this objective. They include, among others, the Global Business Coalition on HIV/AIDS, the Seed Initiative, the United Nations Fund for International Partnerships, and the World Economic Forum's Global Institute for Partnership and Governance.[37] Driving this promotion of public-private partnerships is the awareness of the daunting magnitude of the challenges facing the international community in the years ahead. If the world is to meet such objectives as the Millennium Development Goals, avert the risk of global warming, and reduce dependence on fossil fuels, extraordinary effort and innovation will be required for many years to come.

### *Global public-private partnerships and intergovernmental organizations—competition or complementarity?*

Global public-private partnerships often compete with each other for scarce resources. For example, some 12 global public-private partnerships are addressing the challenge of developing antimalarial medicines and vaccines. Similarly, multiple global public-private partnerships are working to support many other issues, including alternative energy technologies. Global public-private partnerships also compete with intergovernmental organizations for funding, as they increasingly engage in activities that only a few years ago would have been viewed as classical intergovernmental organization tasks, such as norms and standards setting and supporting pro-poor R&D. Today, intergovernmental organizations working on the operational side of international cooperation increasingly see others running with "their" mandate and "their" resources, because many donors prefer to support global public-private partnerships.

Competition between intergovernmental organizations and global public-private partnerships can be desirable. However, it also can be a source of distortion. These global partnerships may reflect agreed-on multilateral priorities, as shown before (see table 1, column 5). The link may be very loose, however. In addition, agents with money can set up partnerships for international cooperation in areas of their own interest. As Utting (2000) asks, "Whose agenda counts?" Also, when intergovernmental organizations are implementing projects financed by private partners who find it important for business reasons to do "well and good," they too may shift their attention away from where it can best enhance social welfare to where the private partner wants to focus to maximize private gains. This does not suggest staying away from public-private partnering. Rather it underlines the importance of being clear about when—and for whom—partnering is desirable and of generating net benefits.

If approached systematically, global public-private partnerships have certain comparative advantages over intergovernmental organizations. They tend to be more product focused, with greater operational flexibility, and since they often face more competition, they are challenged to function effectively and efficiently. Set up as enterprises, they are run and managed by an entrepreneur, a chief executive officer who is likely to be familiar with both the private business side and the public service side of the venture.

These characteristics distinguish global public-private partnerships from intergovernmental organizations, while also complementing them. As large bureaucracies, intergovernmental organizations are set up to facilitate continuity and rule-based behavior—not the exceptionalism, innovation, focus, and risk taking often expected of global public-private partnerships. Thus some partnerships step in where intergovernmental organizations are unable to advance, an important complementarity that ought to be fostered.

Recognizing this, some intergovernmental organizations have begun to deliberately encourage partnerships.[38] For example, it would be difficult for an organization such as the WHO to strike the type of patent deals with private pharmaceutical companies that the Medicines for Malaria Venture promotes. And it would be difficult for an intergovernmental institution such as the World Bank to directly undertake the carbon-credit trading being arranged by the Prototype Carbon Fund. Realizing this, the WHO and the World Bank became leading partners in these global public-private partnerships, hoping to take advantage of the ability of such partnerships to accomplish previously unattainable goals. In today's world of expanding and deepening markets the types of tools used by these partnerships may be among the best for the purpose, or at least more appropriate than the conventional instruments at the disposal of intergovernmental organizations, notably the traditional government-to-government foreign aid modality.

## "So what?"—conclusions and policy implications

Global public-private partnerships, more numerous than ever, are likely to be here to stay and to form an important part of international cooperation in the future. This makes it imperative to understand what these partnerships are about: what forms they can take, how to match form and function, when they are desirable, and how to assess whether they are effective in achieving their goals.

What has the discussion here contributed to enhancing understanding of global public-private partnerships? How could these insights help to approach global public-private partnering more deliberately and systematically? In particular, how can the suggested typology of partnerships be of use?

Three major conclusions emerge from the discussion and point toward concrete ways to improve public-private partnering.

***Conclusion 1: Global public-private partnerships come in many forms, driven by different motivations and pursuing different purposes***

This conclusion is important because it emphasizes that partnerships can be used for a wide variety of purposes. Policymakers and actors interested in partnering can choose a number of avenues. The typology developed in this chapter could guide them in choosing the most appropriate approach.

Similarly, by showing that partnerships differ, the typology can be a useful tool for those who wish to assess how one type of partnership functions in practice—in terms of achievement of stated goals (effectiveness), distribution of net benefits (equity), legitimacy, and accountability.[39] Obviously, a type 1 partnership, designed for trading comparative advantage between private and public actors, should be judged by different criteria than a partnership of the social venture class. Enhanced efficiency would be an important aspect of a type 1 partnership and improved equity an expected outcome of the social venture class of partnerships.

***Conclusion 2: Global public-private partnerships occupy an increasingly open middle ground between markets and states***

The policy response to market failure need no longer be simply government intervention. Nor should the response to government failure simply be to assign the production of a particular good or service straight to the market—to privatize. In both instances public-private partnering can be a desirable and feasible policy option, providing valuable opportunities for more nuanced policymaking.

For partnerships to succeed, it is important to distinguish between what has been referred to here as the market plus governance (M+) mode of partnering and the voluntary (not state-coerced) collective action (CA–) mode of partnering. In the M+ mode the partners essentially engage in an exchange transaction of private goods, a quid pro quo. In the CA– mode the issue at stake is jointly producing a club good or global public good (as shown in table 1, column 4). No one can provide the desired good unilaterally, and therefore the parties need to cooperate by pooling their interests and resources. To ignore this link between intended product and partnering mode would result in partnership failure, because it would mean ignoring the incentives that bring partners together.

The M+ mode of partnering demands sophisticated contracting arrangements. The CA– mode works only for those who are not only prepared to reveal their willingness to pay but are also able to pay.

As Zadek (2004) stresses, the question thus is not only how to foster good governance within partnerships but also whether partnerships are a new form of governance. Since they aim at being participatory, they may reduce some current democracy deficits. But many tend to have a relatively small number of partners. So are they generating new participation gaps? Do they give a stronger voice to those who can afford to pay for a voluntary initiative than to others? Under what circumstances may cooperation within smaller "clubs" be more desirable than negotiations between a large number of parties? Judging from existing club-type partnerships (type 3), they seem to be focused on highly technical issues.

### *Conclusion 3: Global public-private partnerships have sprung up primarily in an ad hoc way, without a well founded policy framework and clear desirability criteria*

Given such ad hoc origins, there is likely considerable scope for improving the relation between intergovernmental organizations, the cornerstones of the conventional system of international cooperation, and the new "players on the ground"—global public-private partnerships.

Two steps could help to achieve that. First, intergovernmental organizations could review their mandates to determine which functions could best be delivered through global public-private partnerships, with funding or cofunding by the intergovernmental organization. Second, they could conduct desirability studies to clarify whether public support is needed and in what form.

On the first step, how should intergovernmental organizations identify the qualifying tasks? Judging from table 1 and the types of partnerships it identifies, public-private partnering might be a preferred way for intergovernmental organizations to proceed under the following conditions:

- Desired competencies (such as managing risk and picking promising investment opportunities) are perceived to reside with the other actor groups (suggesting, respectively, a type 1 and type 4 partnership arrangement).
- New public policy mechanisms need to be developed (indicating the desirability of a type 2 partnership if the issue is testing the mechanism and gauging the response of nonstate actors, or a type 3 arrangement if the issue is reaching consensus with nonstate actors).
- Accomplishing a desired goal requires innovation and perhaps also ownership and management of intellectual property (making a type 6 partnership appear preferable).
- Reaching a particular objective calls for exceptionalism, reaching beyond organizational mandates, and speed that cannot easily be aligned with the organization's governance and oversight procedures and requirements (suggesting a partnership arrangement along the lines of type 5 or 7).

A further question arises in this context, especially in light of the discussion of type 1 partnerships and the competition for scarce resources between intergovernmental agencies and global public-private partnerships. Do intergovernmental organizations, such as funds and programs or the specialized agencies of the United Nations system, have the financial means to proactively pursue the partnership modality? The answer is that if they hesitate to use this modality where it would be the better approach, they may find that partnerships emerge anyhow and attract resources away from intergovernmental organizations, perhaps to the detriment of effective implementation of multilateral policy priorities. A deliberate and active policy of public-private partnering could perhaps allow intergovernmental organizations to avoid such an outcome.

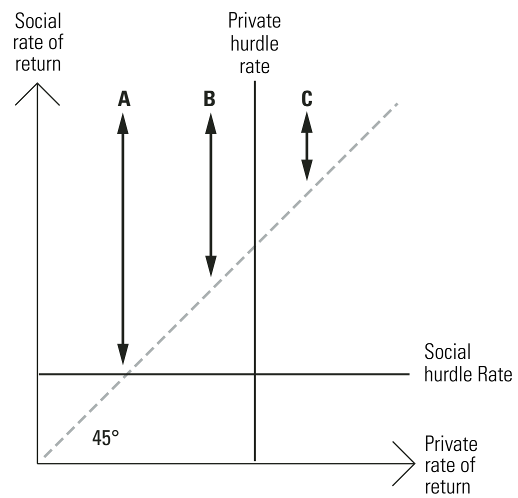
The second step for fostering enhanced complementarity would be to require that intergovernmental organizations undertake desirability studies, demonstrating that partnering not only provides a windfall profit for the private partner but also enhances global social welfare. Desirability studies, common for national public-private partnerships, could clarify whether public support is needed at all and if so in what form.

Figure 2 illustrates how to assess the desirability of public support for a national R&D project. For project C no public intervention is required. Because the expected rate of return exceeds the private hurdle rate, the private actor is likely to undertake the project on its own. For project B, an arm's-length intervention might suffice. In the national context this could mean a tax credit or subsidy. In the international context, where such instruments are unavailable, a simple partnership may be required, along the lines, say, of type 5 or 6. For project A, however, where large or multiple incentive gaps have to be overcome, a type 7 partnership might be warranted.

Enhanced complementarity also has a longer term dimension related to the question of whether public-private partnering is likely to continue along its current path of hundreds of limited and often overlapping initiatives. Or will it perhaps evolve into a more mainstream way of performing certain tasks. The 2004 Group of Eight summit agreed to establish a Global HIV Vaccine Enterprise, a virtual consortium facilitating closer coordination and cooperation among public and private actors around the world to accelerate HIV vaccine development.[40] Similarly, the recently created Global Crop Diversity Trust—its goal to increase food security through crop diversity—was organized as a global public-private partnership.[41] These initiatives may be the beginning of institutionalization and consolidation of current type 6 and type 7 partnerships into more regular, longer term service provision organizations.

Other partnership types may also evolve from being an exceptional approach when problems are on the verge of becoming a crisis to being a more routine method of policy implementation. Following in the footsteps of some existing type 4 partnerships, for example, public-private partnerships could tackle problems of commodity price and farm income volatility, discussed in the chapter by Morgan in this volume. Public-private partnering could make risk management more affordable for all. Similarly, differential contracting and patenting (type 5

FIGURE 2
**Determining the desirability of public-private partnering**




*Note:* The figure assumes that public support to a private investment project enhances social welfare only where the project would otherwise be undertaken at a significantly lower level or not at all. The social and private hurdle rates and both rates of return have to be determined on a case by case basis. The 45° line indicates that the social rate of return exceeds the private rate of return for all three projects (A, B, and C).

*Source:* Based on Audretsch, Link, and Scott (2002) and Link and Scott (2001).

public-private partnering) could be applied to meeting the challenge of disseminating critical energy technology. And as Kremer and Peterson Zwane (in this volume) argue, there is much to learn from the health-related type 6 partnerships for fostering agricultural R&D.

The WHO, the International Labour Organization, and the International Telecommunication Union, which already pursue partnership approaches, are rare exceptions in the current multilateral system of international organizations. Perhaps today's global public-private partnerships are the forerunners of change, of the emergence of a more partnership-based multilateral system.

* * *

Most countries have been redefining and rebalancing the roles of states and markets. This wave of policy change has now reached the system of international cooperation. A growing number of global public-private partnerships are challenging a system that still relies primarily on intergovernmental participation. This chapter has provided an overview of the current landscape of global public-private partnerships and has explored the different motivations that drive them, what they intend to accomplish, and how they are organized.

The typology of partnerships developed in the chapter reveals that partnerships can take a variety of such forms, depending primarily on their motivation and the outcomes they seek. The full scale of current partnership arrangements reveals that public-private partnering has opened up an important middle ground between markets and states and contributed to an important differentiation in policy approaches and tools. Instead of state intervention alone, the answer to market failure can also be an M+ partnership, a market transaction complemented by a joint governance component. And instead of just assigning goods to the market, the response to state failure can also be a CA– partnership of voluntary collective action without government coercion.

Again, the suggested typology provides criteria for policymakers to determine when public-private partnering may be desirable and what type to choose. The discussion highlights ways of fostering complementarity between intergovernmental organizations, the cornerstones of the conventional system of international cooperation, and the newer players, the global public-private partnerships. Similarly, analysts wishing to evaluate the effectiveness, efficiency, equity, or other aspects of these partnerships could be guided by the differentiation of partnership types that the typology offers.

Improving the understanding of public-private partnering and avoiding its drawbacks are important for preserving and nurturing these new policy opportunities.

APPENDIX BOX A.1

**GLOBAL PUBLIC-PRIVATE PARTNERSHIPS MENTIONED IN THE CHAPTER**

Action TB Programme [www.gsk.com/community]
Aeras Global TB Vaccine Foundation [www.aeras.org]
African Agricultural Technology Foundation [www.aftechfound.org]
African Comprehensive HIV/AIDS Partnership [www.achap.org]
African Trade Insurance Agency [www.ati-aca.com]
AIG African Infrastructure Fund L.L.C. [www.empwdc.com/EMP_Africa.htm]
Chicago Climate Exchange [www.chicagoclimatex.com]
CleanTech Fund [www.econergy.net/cleantech_fund.html]
Climate Investment Partnership [www.climateinvestors.com]
Clinton Foundation AIDS Initiative [www.clintonfoundation.org/aids-initiative5.htm]
E7 Fund for Sustainable Energy Development [www.e7.org/Pages/O-Fund.html]
Emerging Africa Infrastructure Fund [www.emergingafricafund.com]
Ethical Trading Initiative [www.ethicaltrade.org]
Fair Trade Labeling Organization [www.fairtrade.net]
Galileo [http://europa.eu.int/comm/dgs/energy_transport/galileo/index_en.htm]
Global Alliance for TB Drug Development [www.tballiance.org]
Global Business Coalition on HIV/AIDS [www.businessfightsaids.org]
Global Climate and Energy Project [http://gcep.Stanford.edu]
Global Compact [www.unglobalcompact.org]
Global Crop Diversity Trust [www.startwithaseed.org]
Global Fund to Fight Aids, Tuberculosis, and Malaria [www.theglobalfund.org]
Global HIV Vaccine Enterprise [www.g8usa.gov/f_061004b.htm]
Global Polio Eradication Initiative [www.polioeradication.org]
Global Reporting Initiative [www.globalreporting.org]
Global Water Partnership [www.gwpforum.org]
Green Dot [www.green-dot.de]
Hookworm Vaccine Initiative [www.sabin.org/hookworm.htm]
IKEA Social Responsibility Initiatives [www.ikea-usa.com/ms/en_US/about_ikea/social_environmental/projects.html]
INBio/Merck Bio-prospecting [www.inbio.ac.cr]
Intelsat [www.intelsat.com]
International AIDS Vaccine Initiative [www.iavi.org]
International Labour Organization [www.ilo.org]
International Organization for Standardization [www.iso.org]
International Telecommunications Union [www.itu.int]

APPENDIX BOX A.1 CONTINUED

**GLOBAL PUBLIC-PRIVATE PARTNERSHIPS MENTIONED IN THE CHAPTER**

Internet Corporation for Assigned Names and Numbers [www.icann.org]
JSTOR [www.jstor.org]
Marine Stewardship Council [www.msc.org]
Medicines for Malaria Venture [www.mmv.org]
Médicins Sans Frontières AIDS drug deal with Yale University and Bristol-Myers Squibb [www.newsmax.com/archives/articles/2001/3/13/60623.shtml]
NetMark Plus [www.netmarkafrica.org]
Onchocerciasis Control Programme [www.worldbank.org/afr/gper/ocp.htm or www.who.int/ocp]
Open GIS Consortium [www.opengis.org]
Patient Capital Initiative [www.energy-base.org/sef_bonn/pub/sef_presentations/PPP_rossbach.pdf]
Prototype Carbon Fund [http://prototypecarbonfund.org]
Secure the Future [www.securethefuture.com]
Seed Initiative [www.seedawards.org]
Small Enterprise Assistance Funds [www.seaf.com]
Strategies for Enhancing Access to Medicines for Health [www.msh.org/seam]
Terra Capital Fund [http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/TerraCapital]
Transparency International [www.transparency.org]
Triodos Renewable Energy for Development Fund [www.triodos.com/com/whats_new/latest_news/press_releases/60888?lang]
Unicode Consortium [www.unicode.org/consortium/consort.html]
Universal Flour Fortification Initiative [http://webapps01.un.org/dsd/partnerships/search/partnerships/205.html]
World Economic Forum Disaster Resource Network [www.weforum.org/drn]

Appendix Box A.2

**Galileo: a privately provided global public service**

Galileo, a European satellite radio navigation program, is an example of a type 1 global public-private partnership. It is intended to complement the U.S. Global Positioning System and the Russian Global Navigation Satellite System, both funded and controlled by military authorities. Galileo, however, will be partially managed and controlled by civilians. It thus offers the guarantee of continuity of service, critical for many potential applications. It is expected that users will be willing to pay for this greater reliability and that demand for Galileo's global services will be high and growing.

With this prospect of profitability Galileo's founding members—the European Commission and the European Space Agency—decided to contract out management and operation to a private sector concessionaire. The concessionaire is to contribute two-thirds of the program's deployment costs (an estimated €2.2 billion) and assume all risks of time and cost overruns in return for the right to the operating revenues for a set number of years. A public body, the Supervisory Authority, will oversee the concessionaire's work and manage the public interests relating to the Galileo system and its implementation. Now composed of the founding members, it will include any other parties that join the undertaking by subscribing to Galileo's initial funding.

Private sector involvement in the deployment and operation of Galileo were considered desirable to attract private funding, to shift risk to the private sector, to benefit from efficient private sector management, and to draw on the private sector's commercial orientation to improve revenue generation. Without the opportunity to contract out, the European Commission might have considered the program too costly. And without the commission's input into the development phase, private sector agents might not have participated. So public-private partnering helped to overcome both market failure and intergovernmental failure.

*Source:* http://europa.eu.int/comm/dgs/energy_transport/galileo/index_en.htm.

Appendix Box A.3

**The IKEA Group: worldwide business—worldwide social and environmental responsibility**

Contracting out at the national level consists mainly of a public agent delegating project implementation to a private sector actor. Internationally, most contracting out (type 1 global public-private partnerships) runs the other way, with a private agent purchasing the services of a public agent, frequently an intergovernmental organization. Partnerships of this type usually form part of a corporation's philanthropy or social responsibility initiatives.

The operational social responsibility initiatives of the IKEA Group provide an example of this large subgroup of type 1 global public-private partnerships. Much of the raw material for IKEA's products is wood or wood fibers. To ensure longer term sustainability, the company sources its wood from forests that are managed responsibly. And because child labor is a reality in many countries in which IKEA purchases labor and products, the company supports projects that go to the root cause of the problem: quality education. Its initiatives span large parts of the globe—from Africa to Asia and Eastern Europe.

In each of its key areas of social and environmental responsibility IKEA has established relationships with recognized international and national organizations, including among others, the United Nations Children's Fund, the United Nations Development Programme, the World Health Organization, the World Resources Institute, and the World Wide Fund for Nature. Partnering with agencies such as these allows IKEA to use its philanthropic and social responsibility money more efficiently and effectively. Partnering provides immediate access to expertise and experience, access to national and local government authorities, and an established project-delivery system.

What makes such deals attractive for intergovernmental organizations and nongovernmental organizations is both the added income and the promise of working with some of the world's most powerful players. And the incentive for national government agencies to support or even join such initiatives can be to be seen as making sure that foreign direct investment also generates benefits for the local communities concerned.

Thus, partnerships can be a means to quite different ends for each partner.

*Source:* www.ikea-usa.com/ms/en_US/about_ikea/social_environmental/projects.html.

Appendix Box A.4

**The Prototype Carbon Fund: pioneering a new market**

The Prototype Carbon Fund (PCF), a type 2 global public-private partnership, is a pioneer in the market for project-based greenhouse gas emission reductions within the framework of the Kyoto Protocol. A closed mutual fund, it invests on a pilot basis, primarily in transition economies and developing countries. Its contributors are 6 industrial countries and 17 private companies, including power and oil companies and global banks. The World Bank provided the seed money.

Overall, the PCF expects to purchase some 30 million metric tons of carbon dioxide equivalent, about a third of the volume generated by the projects it supports. The emission reduction credits thus obtained will be distributed to PCF participants in line with their contributions. PCF's trading partners—transition economies and developing countries—will benefit from generating and selling emission reductions and opening up a new income stream. Negotiating with the PCF will also build their institutional capacity and expertise in climate issues, strengthening their position in future intergovernmental negotiations and transactions in carbon-related markets.

Development of new markets works best when potential purchasers and providers collaborate and reach a common understanding on desirability and feasibility. An effective, joint governance mechanism, such as the PCF's partnership trilogy (contributors, project owners, and the World Bank), is therefore an essential component of market-pioneering initiatives.

*Source:* Lecocq 2003; PCF 2003.

APPENDIX BOX A.5

**THE INTERNATIONAL ORGANIZATION FOR STANDARDIZATION: PROMOTING GLOBAL TECHNICAL STANDARDS**

The International Organization for Standardization (ISO), a type 3 global public-private partnership, is a nongovernmental organization whose members are drawn from national standards institutes in more than 140 countries and private sector agencies, often set up by industry associations. Its main role is to facilitate the development of technical standards, including those related to the environment (the ISO 14000 family) and social responsibility.

ISO's work is demand driven. Industries report standards gaps to their national-level standardization organization, which then reports them to the appropriate ISO technical committee, which is sometimes joined by representatives of government agencies, testing laboratories, consumer organizations, or environmental groups.

ISO standards are voluntary. Their adoption is a sovereign policy choice of national governments. The ISO has no legal authority to enforce implementation. However, standards often become a market requirement and thus are self-implementing and self-enforcing.

ISO is governed by its members, who meet at the annual General Assembly. Member subscriptions pay for the organization's Secretariat. The development of individual standards, accounting for four-fifths of the operational costs of the ISO, is made possible by the contributions of individual standardization organizations and by the willingness of business organizations to lend experts to conduct the technical work. Recognizing that standards can affect the economic and social well-being of many stakeholder groups, many ISO members have public review procedures for making draft standards available for comment to interested parties, including the general public. In this way ISO acknowledges that a participatory development process is more likely than a narrow, club-based one to yield standards that are globally useful.

*Source:* www.iso.org.

APPENDIX BOX A.6

**THE AFRICAN TRADE INSURANCE AGENCY: ADVANCING THE FRONTIERS OF THE INSURANCE MARKET**

The African Trade Insurance Agency (ATI) was set up to reverse the perception that Africa is a high-risk region for investment, a belief that has been contributing to the continent's limited access to private capital. ATI's objective is to alleviate this constraint on development by extending the trade insurance market into Africa.

Drawing on experience acquired in several Eastern European countries, the Common Market for Eastern and Southern Africa (COMESA) worked with the International Development Association (IDA) of the World Bank Group to develop a design for the ATI. The ATI was set up at the regional rather than the national level to enhance its credibility to the private sector. A regional approach would facilitate pooling and diversification of risk and benefit from economies of scale.

ATI was supported by a number of public sponsors, including the European Union, the government of Japan, and the World Bank's Institutional Development Fund, as well as IDA. ATI's private sector partner is a leading global insurance company, Atradius. The world's second-largest credit insurer, Atradius offers political risk insurance and trade credit insurance to protect exporters against a buyer's credit risk. A type 4 global public-private partnership, the ATI thus serves as a one-stop shop for comprehensive trade insurance within Eastern and Southern Africa.

*Source:* World Bank 2003.

APPENDIX BOX A.7

**BROKERING LOWEST PRICE DEALS: MAKING ESSENTIAL PRIVATE GOODS AFFORDABLE FOR ALL**

In the spring of 2004 the Clinton Foundation brought together the Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund), the United Nations Children's Fund (UNICEF), the World Bank, and pharmaceutical companies in India and South Africa to reach agreement on distributing critically needed AIDS drugs and diagnostics at greatly reduced prices in developing countries. This type 5 global public-private partnership has lowered the price of medicines by one-third to one-half and the price of diagnostics by more than three-quarters.

The Clinton Foundation, as broker, overcame a critical barrier to the purchase of AIDS drugs and diagnostics: the lack of credible purchasing power of some of the most HIV/AIDS-affected countries in Sub-Saharan Africa and the Caribbean. This obstacle was overcome by bundling country demands to allow bulk purchasing. National HIV/AIDS programs contact the Clinton Foundation to express their interest in becoming a Member Purchaser. Countries must secure a letter of credit or other guarantee (including from the participating funding organizations, if appropriate) certifying the availability of funds to buy drugs and tests. Further, they must demonstrate that they have sufficient national capacity to securely store and administer the drugs and reagents. And they must tender for extended periods. This change in incentive structures has made it possible for participating pharmaceutical companies to reduce prices.

Other manufacturers, including patent-holding companies, are invited to join the agreement. Measures are in place to prevent these low-price drugs and tests from entering industrial country markets. All the actors involved in the Clinton Foundation initiative support intellectual property rights. However, they also recognize that only a small portion of the pharmaceutical industry's income comes from the countries that will benefit from this low-price deal. So this initiative will not adversely affect their business or their research and development activities. If anything, it could have a positive effect, affording them an important opportunity to demonstrate social responsibility—at no cost.

*Source:* www.aidspan.org/gfo/archives/newsletter and www.clintonfoundation.org/aids-initiative5.htm.

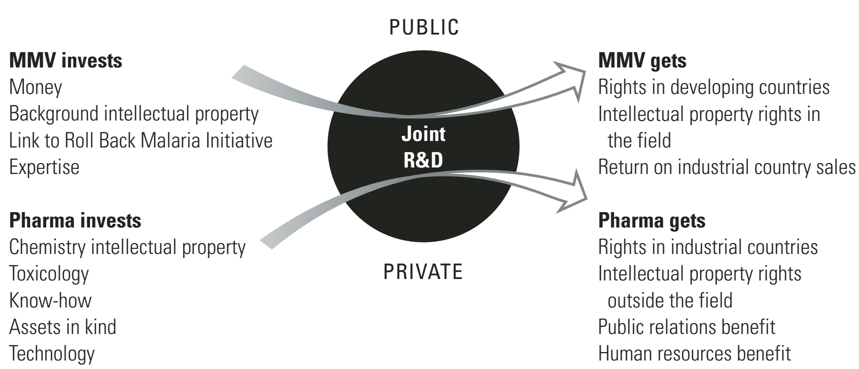
APPENDIX BOX A.8

**THE MEDICINES FOR MALARIA VENTURE: PROMOTING PRO-POOR RESEARCH AND DEVELOPMENT**

Malaria kills more than 1 million people each year. Some 300–500 million new clinical cases occur annually, mainly among poor people and mainly among children and pregnant women. More than 90 percent of the malaria burden falls on Sub-Saharan Africa. Drug resistance is a serious challenge, calling for continuous research and development (R&D) and requiring a new antimalarial drug to be commercialized every five years on average.

But because most people threatened by malaria are poor, market incentives for R&D are weak. The Medicines for Malaria Venture (MMV), a type 6 global public-private partnership, seeks to provide the missing incentives to encourage the private pharmaceutical industry to focus on affordable antimalarial drugs.

The MMV has a two-part strategy for building new incentives. First, it uses the financial contributions of its donor group (private foundations, intergovernmental organizations, national aid agencies, and the International Federation of Pharmaceutical Manufacturers Associations) and the in-kind contributions (such as free use of laboratory facilities) of its business partners to support research by private companies. Second, the MMV negotiates differential patenting agreements with its private sector partners. The MMV's intellectual property rights usually cover the disease-endemic countries and its private partners, the richer, industrial countries (the "travelers' market").




*Source:* www.mmv.org; Mattock 2002; and Ridley 2000.

APPENDIX BOX A.9

**THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS, AND MALARIA: MANAGING FOR STRATEGIC RESULTS**

The Global Fund to Fight AIDS, Tuberculosis, and Malaria is the principal funding mechanism for efforts to control these communicable diseases. It is challenged to seek and support partnerships by its mandate—which is to facilitate the mobilization and channeling of resources—not to develop or deliver assistance to projects. Controlling three of the world's major communicable diseases is too vast a task for one actor. That requires inputs and active collaboration from many public and private actors; initiatives at all levels of development, from the local to the international; and contributions from multiple sectors, from medical and pharmaceutical research to health sector management, global knowledge management, and international trade. Implementing the Global Fund's mandate thus calls for a comprehensive approach to strategic issues management—a clear vision and focus on what is to be achieved, backed by financial resources.

The complexity of the Global Fund's mission is reflected in its governance structures. Both its governing board and its country-level coordinating mechanisms show its public-private partnership character. These participatory governance structures reflect a broad-based but targeted resource-mobilization strategy. The Global Fund reveals how resource mobilization can be a highly diversified activity that goes well beyond mobilizing contributions in cash. The Global Fund has been a party to the Clinton Foundation-initiated arrangement for low-price drugs (appendix box A.6). It collaborates with the Global Business Coalition for HIV/AIDS to create synergies between firm-based health programs and government-run health initiatives. And it keenly follows, and draws on, the work of such initiatives as the Medicines for Malaria Venture (appendix box A.8) and other drug development initiatives.

*Source:* www.theglobalfund.org and www.businessfightsaids.org.

## NOTES

1. For studies on national public-private partnerships, see, among others, EC (2003); Gabriel (2004); Gunningham and Sinclair (2002); Harris (2003); Kelly (2000); NCPPP (2000); Osborne (2000); Social Watch (2003); and Spackman (2002).

2. See www.worldwatercouncil.org.

3. See www.theglobalfund.org. For the web sites of other global public-private partnerships mentioned in this chapter, see appendix box A.1.

4. For simplicity, the term *good* is used in this chapter to refer to both goods and services. The glossary at the end of the volume defines the types of goods referred to in this chapter, including merit goods, club goods, public goods, and global public goods.

5. See, for example, Andersen and Mailand (2002); Liebenthal, Feinstein, and Ingram (2004); Linder (1999); Ridley (2000); McQuaid (2000); Nelson (2002); Rosenau (2000); UN Foundation and WEF (2003); Witte, Benner, and Streck (2003); and Zadek (2004).

6. The most comprehensive database is that of health-related global public-private partnerships, which was launched by the Initiative on Public-Private Partnerships for Health (www.ippph.org). It contains more than 80 partnerships. The United Nations maintains a list of public-private partnerships engaged in sustainable development activities, including about 90 global ones that fit the criteria set forth in this chapter (www.un.org/esa/sustdev/partnerships/partnerships.htm). The United Nations Fund for International Partnerships also maintains a list of partnerships in such diverse fields as children's health, population and women, environment, peace and security, and human rights (www.un.org/unfip/). Its catalogue of projects overlaps in part with other data sets and other UN-related data sources. Leads to global public-private partnerships can furthermore be found in various studies, including Brinkerhoff (2002); Malena (2004); Nelson (2002); Spielman and von Grebmer (2004); Rausser, Simon, and Ameden (2000); Tessner and Kell (2000); and UN (2004). Company web sites are another important data source, notably reports on corporate social responsibility. For a list of the approximately 400 initiatives identified based on these and other data sources, see Broadwater and Kaul (2005) and www.thenewpublicfinance.org.

7. This fact already shows what can be seen repeatedly later, namely the critical role that global public-private partnerships play in responding to urgent challenges and situations for which conventional single-actor responses would be inadequate. These include, among others, the concerns on which global public-private partnerships appear to be focused.

8. For a more complete methodological note on how the sample was constructed, see Broadwater and Kaul (2005) and the page on "Global Public-Private Partnerships" at www.thenewpublicfinance.org.

9. The term *private gain,* when accruing to a public partner such as a government agency, refers to organizational benefits, such as cost savings, not (or not only) to the personal gains of bureaucrats or politicians.

10. The term *trading comparative advantage* (also referred to as *contracting out*) refers to the fact that different actors (private firms, government bureaucracies) tend to have different strengths. Hence, it can sometimes be desirable for an actor (say, a government agency) to implement a particular task by involving another actor (a private firm). However, as discussed in more detail later, such a "trade" needs to be distinguished from outsourcing. Assuming that a government agency is the initiating party, outsourcing may involve the procurement from a private sector supplier of inputs into an otherwise government-managed process. In the case of trading comparative advantage the government hands management responsibility over to a nonstate actor.

11. For an overview of the literature on institutional economics, see Furubotn and Richter (2000). For the concept of incomplete contracting, see Hart (1995); Hart, Shleifer, and Vishny (1997); and Williamson (1985).

12. For a discussion of voluntary provision and refinements of the arguments presented here, see Bergstrom, Blume, and Varian (1986); Cornes and Sandler (1996); Dougherty (2003); Olson (1965); Ostrom (1990); and Sandler and Tschirhart (1997).

13. This of course raises the fundamental issue of how global public-private partnership initiatives are linked to multilateral priorities, an issue covered later in the chapter. From the perspective of purported goals and intended activities, as applied here, most global public-private partnerships try to link themselves to an agreed-on global goal (see table 1, column 5). An interesting question, however, is whether some goals are more likely than others to be "picked" for implementation by a partnership.

14. These implementation arrangements sometimes also take the form of partnering, notably type 1 partnership. As discussed later, such partnerships within partnerships can be found in initiatives that are involved in research and development, such as the type 6 partnerships.

15. For an empirical analysis of the functioning of governance in select global public-private partnerships, see Buse (2004).

16. For more details on the financiers of the 100 partnerships included in the study sample, see "Global Public-Private Partnerships" at www.thenewpublicfinance.org.

17. See, for example, Cordes, Steuerle, and Twombly (2004); Rose-Ackerman (1986); and Weisbrod (1977, 1998).

18. While nonprofit organizations can generate a surplus, they cannot distribute it as profit to their contributors. Laws usually require that any surplus be reinvested. Therefore, the money contributed to a nonprofit organization cannot be an investment but only a donation.

19. There is an extensive literature on the comparative advantage of different actor groups, including Acemoglu, Kremer, and Mian (2003); Besley and Ghatak (2001); Brinkerhoff and Brinkerhoff (2002); Dixit (2000); Francois (2003); and Shleifer (1998). Such studies show that the institutional context in which agents operate, such as the market, for-profit firm, nonprofit firm, government bureau-

cracy, or civil society organization, presents agents with different incentive structures, and that each type of incentive structure encourages different patterns of economic behavior.

20. For more detail on the private finance initiative model, see Arthur Andersen and Enterprise LSE (2000); PricewaterhouseCoopers Corporate Finance (2002); and Spackman (2002).

21. One reason that public to private contracting out is relatively rare internationally is that most intergovernmental organizations depend on voluntary contributions for operational programs. Where international cooperation initiatives offer opportunities for public to private contracting out, two things may happen. Governments may prefer to divide up the tasks among themselves for decentralized, national implementation so that they can involve corporations of their choice in implementing them (the model of the International Space Station project). Or "social entrepreneurs" may move in, forming a global public-private partnership and attracting available funding. As a result, resources are diverted before they reach intergovernmental organizations.

22. Another interesting case is Intelsat Ltd. Originally an intergovernmental organization paid for by its member states, Intelsat was privatized in 2001. Similar to the Galileo project, member states decided to create a supervisory agency, the International Telecommunications Satellite Organization.

23. According to Frost, Reich, and Fujisaki (2002), such considerations motivated Merck & Co., Inc. to channel its donation of Ivermectin® to the Onchocerciasis Control Programme through the Task Force for Child Survival and Development, a U.S.-based nonprofit organization. Before approving country requests for the drug, the task force obtains advice from its expert advisory body, creating further distance between Merck and the project.

24. For an independent assessment of the impact of extractive industries on development in developing countries, see the *Extractive Industry Review* commissioned by the World Bank, at www.eireview.org.

25. Many of the more than 260 public-private partnerships announced at the World Summit on Sustainable Development in Johannesburg in 2002 were of a supply-driven nature. According to a recent progress report, only a few are fully funded, and less than 6 percent have secured any private sector resources (UN 2004). See also Andanova and Levy (2003).

26. For industry-led biotechnology partnerships that cover several countries and involve publicly funded researchers and institutes in developing countries, see Kameri-Mbote, Wafula, and Clarke (2001); Rausser, Simon, and Ameden (2000); and Spielman and von Grebmer (2004). Examples of health-related initiatives include the Action TB Programme, led by GlaxoSmithKline, and Secure the Future, led by the Bristol-Myers Squibb Company and Foundation.

27. See www.fao.org/ag/cgrfa.

28. Even organizations that were formerly purely intergovernmental, such as the International Telecommunication Union (ITU), are increasingly employing public-

private partnering. For example, the ITU's study groups are composed of experts from the public and private sectors working together to develop technical specifications and operating parameters for equipment and systems (www.itu.int/aboutitu/overview/o-s.html).

29. The Global Compact takes a learning approach to corporate change, rather than a regulatory bureaucratic one. In the words of Ruggie (2002, p. 32) this means: "Companies submit case studies of what they have done to translate their commitment to the…principles into concrete corporate practices. This occasions a dialogue among…UN, business, labour, and civil society organizations…to reach broader, consensus-based definitions of what constitutes good practices than any of the parties could achieve alone. Those definitions, together with illustrative case studies, are then publicized in an online information bank…. The hope and expectation is that good practices will help to drive out bad ones through the power of dialogue, transparency, advocacy, and competition."

30. For more detailed information, see http://info.med.yale.edu/eph/pdf/SCIENCE%20Editorial%20Final%209.16.03.pdf.

31. A similar point can be made about the norm and standard setting initiatives of type 3 global public-private partnerships, notably those pertaining to social, governance, and environmental issues (Florini 2000, 2003).

32. The importance of according more attention to noncommercial or tacit knowledge is just beginning to be realized. See, for example, the World Bank's Global Conference on Scaling Up Poverty Reduction in Shanghai (www.worldbank.org/wbi/reducingpoverty/Conference.html).

33. For a comprehensive discussion of health-related type 6 partnerships, see Buse and Waxman (2001); Sander and Widdus (2004); Wheeler and Berkley (2001); and Widdus (2001).

34. In some cases, smaller R&D companies may, in effect, require full payment for the services they render to a partnership. In such a case the partnership would shift from a type 6 to a type 1, a contracting-out initiative. Also, some partnerships may have a primary form, say, that of type 6. Yet for certain activities partnership managers may also employ other forms, notably a type 1 relation.

35. The Universal Flour Fortification initiative is organized along similar lines, but where the polio initiative is binary (it either accomplishes its goal of eradication or it does not), flour fortification is a more continuous, less targeted effort, which often receives less attention (see the chapter by Barrett in this volume).

36. For the current structure and functioning of the Global Environment Facility, see www.gefweb.org/participants/council/council.html.

37. For a more complete list of public-private partnership facilitators and promoters, see the "Global Public-Private Partnerships" page at www.thenewpublicfinance.org.

38. The 100 partnership profiles presented on the "Global Public-Private Partnerships" page at www.thenewpublicfinance.org list the names or types of partners involved for each initiative.

39. On the issue of the legitimacy of nonstate actors such as public-private partnerships, see Bernstein and Cashore (2004). For a discussion on accountability and how the notion of accountability may have to change when it is applied to entities such as global public-private partnerships, see, for example, Benner, Reinicke, and Witte (2004) and Raynard and Cohen (2003).

40. See www.g8usa.gov/d_061004d.htm.

41. For further information, see www.startwithaseed.org/pages/trust.htm.

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