

This section provides an overview of some innovative collaborations in the delivery of public services. A survey of 700 senior public managers from 12 countries produced a highly useful synopsis of the current situation and the future potential of public-private collaboration initiatives (The Economist Intelligence Unit and Andersen Consulting, 1999).

### Australia

In the early 1980s, Australia went through a change of government that led to policies that promote new ways of doing business in the public sector. This movement intensified during the 90s with the privatisation of Telstra, the national telecommunications carrier. This was followed by a reform that encouraged decentralisation, the transfer of power from the State to the ministries, thus fostering greater autonomy among ministries and other public agencies. Government organisations were encouraged to take charge of their affairs and compare their performance with those of the private sector. They quickly adopted strategic management principles and charters to define the services delivered to citizens, whom they now perceived as "clients.". The government now plans to introduce the concept of accountability when it comes to evaluating public servants, which will help promote the efficiency of projects generated by the public sector.

In response to these changes, both levels of government, national and local, were forced to review their missions and began assigning to private enterprises those sectors of activity where the latter could outperform them. As the saying goes in Australia, if a similar service is featured in the Yellow Pages, this service is not part of the government's mission. A general belief that IT generates significant cost savings explains why the ICT sector was the most affected by this policy even though this sector is not the focus of the government's basic mission. IT use enables the creation and growth of enterprises of all sizes, small and medium as well as large.

The initial objective of public agencies in undertaking projects of this type was to reduce costs. The success of the Defense Ministry in achieving this goal (reduction of costs by 35%) has triggered the development of other similar projects. However, the motivations behind the projects also include the search for efficiency, productivity, and service improvement.

The finest example of public-public collaboration in Australia is indisputably the 1997 creation of *Centrelink* (3), a unique network that originally provided social and employment services. Today, over 70 services and products are available through its offices and there are even agreements that give local administrations the opportunity to offer their own services to the community

The government also adopted the *Develop Australia Bonds* program and issued tax-shielding bonds to support the infrastructure projects undertaken by the private sector. Thus, between 1992 and 1996, these projects accounted for a total of 29 billion Australian dollars which is a clear indication of the private sector's interest in such a collaboration strategy. In its search for solutions designed to reduce the size of public administration, the Australian government has also resorted to outsourcing. However, it cannot move faster than public opinion will allow and it must take into account the management capacity of its public employees to oversee such a dynamic set of relationships.

The Australian government is now experimenting with slightly more sophisticated forms of collaboration, mainly partnerships where suppliers are increasingly involved in the definition stage of projects, and it has adopted a strategic partnership formula encouraging suppliers to participate in the decision-making process. Since the partnership features a degree of flexibility, it is used for projects where performance criteria cannot be defined immediately, as the project outcome is not yet known. Efforts aimed at diversifying public service delivery in Australia are therefore numerous and place this country among the innovators in this area.

### The United Kingdom

The United Kingdom is recognized as a pioneer in getting the private sector involved in public service delivery. The Thatcher government implemented a vast privatisation program in the early 1980s. In 1993, it launched its highly successful *Private Finance Initiative* (PFI) in order to speed up and facilitate public-private partnerships for infrastructure projects. The PFI enabled contributions to be made in the form of preferential loans, equity capital, asset transfers, and subsidiary work, and combinations of these methods. Agreements made in 1995-1996 were valued at 5 million pounds sterling.

More recently, the transformation of FPIs into PPPs led to a broadening of the partnership concept, adding flexibility to the FPI formula, which had been much criticised for its bureaucratic red tape and the very high costs involved for tenderers. As a result, the *Treasury Task Force* (4) was created and mandated to guide project

managers through the bureaucratic maze in order to facilitate the development of their projects. The task force also supports new projects by providing a management guide and a series of cases illustrating the best public-private partnership practices.

The government is firmly engaged on the PPP track, favouring two formulas that are perceived as very promising: *joint ventures* and *wider markets*. Under the *joint venture* formula, both parties (public and private) invest in the project and share the eventual profits or losses, while the wider market formula focuses on marketing certain government-owned products using private-sector expertise in the particular field.

The information technology field is especially favoured and constitutes a unique category due to the characteristics associated with technological development projects. The projects underway are varied. They range from computerisation of the army's recruitment centre and training of the army's helicopter pilots, to computer and office technology services for the government and the takeover of employee recruitment and job search activities by the private sector.

Of course, collaboration is especially appealing because it reduces costs, but it also makes it possible for the public sector to focus on its core mission, while benefiting from private sector expertise in other areas. The public sector thus forges new alliances with the private sector and even adopts measures designed to improve these relationships. Consequently, the effort to create a true spirit of collaboration precedes all other project-related activities. The results observed are impressive, for the costs associated with public service delivery have dropped significantly and the quality of the services has increased.

## The United States

"In this fast-moving, fast-changing global economy -- when the free flow of dollars and data sustains economic and political strength, and whole new industries are born every day -- governments must be lean, nimble, and creative, or they will surely be left behind.... let us learn from one another, and make just, responsive, and responsible government a pillar of global strength and community."

--Vice President Al Gore, United States of America January 14, 1999(5)

This quote illustrates the seriousness of the efforts to reinvent American government over the past decade. Pressed by budget deficits, spending cuts, and public dissatisfaction with government performance, the US government introduced policies designed to downsize the public administration, make it more accountable, and improve its responsiveness and efficiency. This led to the adoption of policies like the 1993 "*Government Performance and Results Act*", the 1996 "*Information Technology Management Reform Act*" and, the "*National Performance Review*" (now the *National Partnership for Reinvention*) under the Clinton presidency. States, cities, and other municipalities are also seeking to improve performance through new models of operation, including cooperation across agencies and sectors.

As it sought models capable of higher performance, the American government looked to its relationship with the private sector to explore new approaches. Early efforts focused on procurement reform and led to the introduction of more flexible purchasing and negotiating models that promote greater private-sector involvement in the decision-making process and focus on pay for performance based on result- oriented agreements. In some cases, private contractors are paid solely from the revenue they generate as a result of their work. One well-know example of this method was pioneered by the California Franchise Tax Board. The Department of Defense, which accounts for a huge share of the federal Government's acquisitions, has successfully explored several new procurement approaches, especially *partnering*, a process that focus on collaboration among suppliers.(6)

Beginning in the 1980s, and increasing throughout the 1990s, federal, state, and local governments began outsourcing non-core functions to private companies. These efforts began with outsourcing of support activities such as package delivery services and printing. They then evolved into much more complex outsourcing arrangements that involved larger administrative and service functions, including the most recent experiment: outsourcing the entire IT operation of the City of San Diego. Additional IT projects are being developed in which the technical expertise and capital investment comes from the private sector, but control over the data resources remains in the hands of the government. State government information portals such as *Access Indiana* and *Virginia's VIPNet* are examples. In these case, the private partner derives its income from fees imposed on "premium" services. IT projects like these are increasing in number partly because the expertise is not always available internally, and because the private partner can move more quickly to take advantage of advances in technology.

Occasionally US governments engage in full privatization of more traditional governmental functions. For

example, states have privatized prison construction and administration where private firms finance and build correctional facilities and may operate them as self-sustaining, even profitable, enterprises. These operations have met with mixed reaction because they involve the actual ownership of the prison, use of inmate labour and profits associated with it, and use of private employees to administer part of the justice system.

A common form of cooperation exists in the human services sector where government agencies engage nonprofit service organizations to deliver child welfare, day care, senior citizen programs, employment, shelter, and other services to people who are eligible for government-funded assistance. Most commonly, the government agency contracts with the nonprofits for an agreed upon level or volume of services in a particular time period. In some cases, public agencies issue vouchers to eligible individuals which they may use to "purchase" services from the provider of their choice. The oldest US model of this kind is the educational benefit available under the "*GI Bill*," adopted after WW II, which pays a portion of tuition and fees to any accredited educational institution a veteran wishes to attend. Sometimes the government funds non-governmental service centers that assist particular segments of the community. Small businesses, for example, benefit from collaborations between the government and university-based *small business development centers* which offer education and advice to entrepreneurs throughout the US. Taxpayers and tax preparers benefit from the Internal Revenue Service e-file program that links private businesses with the federal agency in a quick-turnaround tax return process. Electronic benefits payments for public assistance and Food Stamps operate on a foundation of public-private cooperation involving welfare agencies and the US banking system.

In health care, *Medicare* and *Medicaid*, the government programs for the elderly and the poor, have always operated under public-private arrangements. Health services to these two groups are typically delivered by private and nonprofit practioners and institutions, who are paid, at least in part, by these two tax-payer funded programs.

While most new models seek some synergy or cooperation among the sectors, some municipal governments are experimenting with direct competition. Under its *Competition and Costing Program*, Indianapolis encourages municipal employee unions as well as private sector companies to bid on work for the city. The selection is based on a direct comparison of the offerings on price and other considerations.

As these experiments develop and gain experience, they have generated important public policy questions. Federal, state, and local governments are all seeking to delineate the activity sectors where PPPs and other collaborative models are desirable. Where these models are in development or operation, government officials and members of the public continually question the proper roles and responsibilities of the private partners and the accountability of the public agencies. While the federal government has adopted a bold policy that anything which is not related to the establishment of policies, budgets, or strategy may be considered appropriate for the private sector, there has been no rush to radical change.

In short, public service delivery in the United States is caught up in a wide range of experiments, some based on modest changes in traditional modes of operation and some much more innovative in nature. The magnitude of the changes that are taking place varies from one region to the next and efforts devoted by states like North Carolina, California, and Virginia and federal agencies like the General Services Administration, the Department of Defense, and the Internal Revenue Service are especially notable. They have developed considerable expertise by experimenting with PFI-style collaboration models existing in the United Kingdom as well as with public-public and public-nonprofit collaborations which are meeting a certain degree of resistance in other countries, like Canada.

## Canada

Canada's experience in terms of collaboration for public service delivery, also referred to as "Alternative Service Delivery or ASD," is rather recent. The Canadian government officially confirmed its determination to undertake a program to change the management of its activities in 1997.

"The Government will undertake its mandate in a spirit of collaboration and partnership with all its partners from Canadian society."

(Speech from the Throne, September 24th, 1997).

More recently, in its action plan for the years 1999 to 2002, the Treasury Board Secretariat indicated that promoting innovation at the service level is one of its priorities. To achieve this goal, it plans to diversify service delivery methods and integrate approaches to service delivery, including partnerships with other ministries and levels of government or between the public, private and community sectors(7).

In addition to motivations linked to its difficult financial situation, the Canadian government recognises the need to develop collaboration as a means of allowing its local suppliers to acquire pertinent expertise and thus gain a foothold on the global market scene. If it neglects this aspect, not only will Canadian suppliers fail to compete in global markets, but they will be outdone by foreign companies on their own territory.

Even though citizens may be somewhat satisfied with public service delivery in general, market liberalisation and further development of new technologies are exerting growing pressure on the demand for change. Moreover, e-commerce, which is in full-scale expansion in the private sector, is also likely to influence the way of doing things in government. As a result, the Canadian government has begun to develop a more efficient model of service delivery. Although we still rely on traditional methods, new approaches based on collaboration with the private sector have been introduced over the past few years. The government is currently exploring innovative partnership formulas emulating the experiments conducted in the United Kingdom. Thus, a federal-provincial-territorial task force is assessing the value of these formulas as they apply to highway construction. It should be noted however that the provinces have had a head start on the federal government as far as diversification of public service delivery methods is concerned.

The Canadian government's collaboration experience effectively began with the creation of major agencies like NavCan for air control management or the CFIA in the food inspection field, and it continued with the creation of partnerships(8) mainly designed for public infrastructure design, construction, and operation.

Transportation and the environment are the most dynamic fields. There are numerous partnership agreements for the construction of highways, bridges and other infrastructures, or for water treatment and waste management, and these account for more than 50% of all the collaboration projects carried out in the country. In this context, Toronto's Highway 407 project is considered a monumental achievement. The project met all of its objectives, with no budget overruns, and was completed ahead of schedule. Some people disagree with this point of view, claiming that the original operators were unable to meet their objectives. In their opinion, this explains the recent sale of the project to a private consortium whose partners include SNC Lavalin and the *Caisse de Dépôt*. Nevertheless, the project serves as a technological showcase for Canadian expertise and made it possible to export this know-how to Israel and the State of New York. The Confederation Bridge also deserves to be mentioned as an example. It involves a 35-year concession contract valued at close to one billion dollars. At the end of this term, the consortium, Strait Crossing Joint Venture Inc., will transfer ownership to the Canadian government.

Another innovative project worthy of mention is the construction of schools in Nova Scotia. As a result, the province will have a modern network of "connected" schools by relying on the private sector to design, build, finance and operate some thirty schools.

Other projects are especially interesting because of their innovative use of ICTs. In Quebec, for example, the *Commission de santé et sécurité au travail* (CSST) joined a private consortium to create an extranet linking major companies, hospitals, rehabilitation centres and CSST work accident victims in order to speed up the processing of claims. In Ontario, the Toronto Children's Hospital uses the Internet to provide information to young patients and their families, and to exchange patient information with other hospitals and clinics. The *ministère du Tourisme*, in collaboration with Bell and associated partners, set up a portal (project underway) to provide information and reservation services, while *Emploi Québec* has deployed a network of 3000 terminals that are accessible to job hunters. In New Brunswick, remote health services (telemedicine) are available in outlying areas in order to follow up on patients who have had major surgery in a regional hospital centre.

Canada's collaboration experience with respect to public service delivery is therefore interesting and diversified but according to Economic Development Canada (1998), it remains very pragmatic, with no firm direction or suitable regulatory framework. While governments do explore these opportunities and believe that they represent the path to the future, the movement is not universally supported. Certain projects have been severely criticised and it has been claimed that the private sector solely takes advantage of the benefits derived from such an approach. Furthermore, since the public is used to massive government intervention producing very satisfactory results, the urgency to act is not felt as intensely. Politicians and public officials are nonetheless convinced of the necessity to push forward and claim that the movement is up and running. Most of them are receptive to these experiments and several provinces are currently offering management guides in order to efficiently support the efforts of ministries, agencies and local administrations. Canada is therefore in the learning stage, and in the near future, public policies will undoubtedly be issued to promote new collaboration methods and govern their application.

## Developing Countries and Newly Industrialized Economies

In certain countries in Latin America, Africa, Asia and Eastern Europe, the global movement towards privatisation of public functions also gained momentum during the 1980s. In these countries, foreign investments are especially important in the more global context of developing a viable and prosperous private sector. Relying on partnerships and other modes of collaboration is therefore appealing, especially for the development of public infrastructures involving transportation, communications and the energy sector.

A case in point is that of Chile which, after privatising its telecommunications sector and most of its energy sector, recently launched a vast concession program to step up development of its road network and airports. The government assumes part of the risks associated with a project and guarantees a minimum amount of revenues. Mexico has teamed up with the private sector to build toll bridges and highways, while assuming some of the financial risks associated with the anticipated costs and benefits.

An important catalyst for the development of collaboration models for public service delivery is the presence of international organisations like the UN, the World Bank or the OECD that offer vast programs designed to support economic development, many of which promote collaboration. The UNIDO(9) SPX program (*Subcontracting & Partnership Exchanges*) which encourages subcontracting and industrial partnerships is an interesting example. Designed to support the creation and operation of an exchange centre for the benefit of organisations and businesses, the program was established as a means of providing not only a meeting place but also partner-assistance tools regulating supply and demand. More than 30 countries are registered and benefit from this service.

For most of these countries, these efforts to provide adequate public services must be accompanied not only by the proper economic and industrial policies but also by labour development programs, focusing especially on public sector employees. For the industrialised countries as a whole, new models of collaboration for public service delivery have proven successful. Innovative spirit on the part of the major players, public administrators, private-sector administrators and citizen-clients, will likely broaden the use of these collaboration models for public service delivery.

---

(3) Visit <http://www.centrelink.gov.au> for more information

(4) Visit <http://www.treasury-projects-taskforce.gov.uk> for all kinds of information concerning PPPs.

(5) Speech reproduced on the following site: <http://www.21stcentury.gov/welcome.htm>

(6) Refer to the Web site <http://www.acqnet.sarda.army.mil.acqinfo>

(7) The Web site <http://strategis.ic.gc.ca> is very interesting and it provides a lot of information about Canadian policy regarding public-private collaboration.

(8) The Canadian Council for Public-Private Partnerships (1998) lists over 300 of them in its directory.

(9) Visit <http://www.unido.org> for additional information.