

# Theme 5...



UNIVERSITY of the  
WESTERN CAPE



## Strengthen the Indispensable Public/Private Partnership for Competitiveness

(Moderator)

**Doug Sanyahumbi (PhD, MBA)**  
**Director: Technology Transfer Office**

27 Sep – 02 Oct 2014

A place of quality,  
a place to grow, from hope  
to action through knowledge



UNIVERSITY of the  
WESTERN CAPE

# Presentation overview...

---



- Innovation & economic growth**
- Setting the scene for Africa**
- Working definitions**
- Motivation for innovation: Industry vs Institutions**
- The innovation cycle flow**
- Advantages of PPS**
- Challenges in creating PPPs**
- SA Challenges in creating PPPs**
- Key success factors for PPPs**
- Conducive environment for PPPs**
- Recommendations for stronger PPPs**
- Best practice for creating PPPs**



UNIVERSITY of the  
WESTERN CAPE

# Innovation & economic growth...

---



- ❑ **PPPs increasingly important tool: public services delivery**
  - re: infrastructure assets (bridges, roads) and more complex assets (prisons, utilities).
- ❑ **Sustained growth & productivity – innovation is a key determinant**
  - Increased collaboration amongst NSI players underpins this growth
  - Public-Private Partnerships (**PPPs**) are important components
  - PPPs have significant qualitative value, i.e. (socio-economic) impact
- ❑ **African economies trail rest of the world re: competitiveness**
  - 14/20 least competitive economies are in Africa
- ❑ **Public/Private Partnerships – key to competitiveness**



UNIVERSITY of the  
WESTERN CAPE

# Setting the scene for Africa...

---



- ❑ **2013 – African economies 10 yr growth: ~5%**
- ❑ **Growth prospects – positive, despite global economic downturn**
- ❑ **2013 Africa Competitiveness Report – serious challenges**
  - Africa's economic growth rates not translated to better living standards
  - 48.5% in Sub-Saharan Africa survive on < \$1.25/day
  - Population >1 billion (~15% of global) – job creation not kept up
  - Decreasing labour productivity figures
  - Manufacturing sector – essentially stagnant since 1970s
- ❑ **African economies trail rest of the world re: competitiveness**
  - 14/20 least competitive economies are in Africa
- ❑ **Public/Private Partnerships – key to competitiveness**

Source: Online - The World Bank, Public-Private Collaboration Can Make Africa Globally Competitive, 2014



UNIVERSITY of the  
WESTERN CAPE

# Working definitions...



## Public-Private Partnership:

### □ OECD:

a long-term agreement between the **government** and a **private partner** where the **service delivery objectives** of the government are **aligned** with the **profit objectives** of the private partner. The effectiveness of the alignment depends on a sufficient and appropriate transfer of risk to the private partners.

<http://www.oecd.org/gov/budgeting/48144872.pdf>

### □ South African Law:

a contract between a **public sector** institution/municipality and a **private party**, in which the **private party assumes substantial** financial, technical and operational **risk** in the design, financing, building and operation of a project.

<http://www.ppp.gov.za/Pages/default.aspx>

### □ National Council for Public-Private Partnerships

a contractual arrangement between a **public agency** (federal, state or local) and a **private sector entity**. Skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party **shares in the risks and rewards** potential in the delivery of the service and/or facility.

<http://www.ncppp.org/ppp-basics/7-keys/>



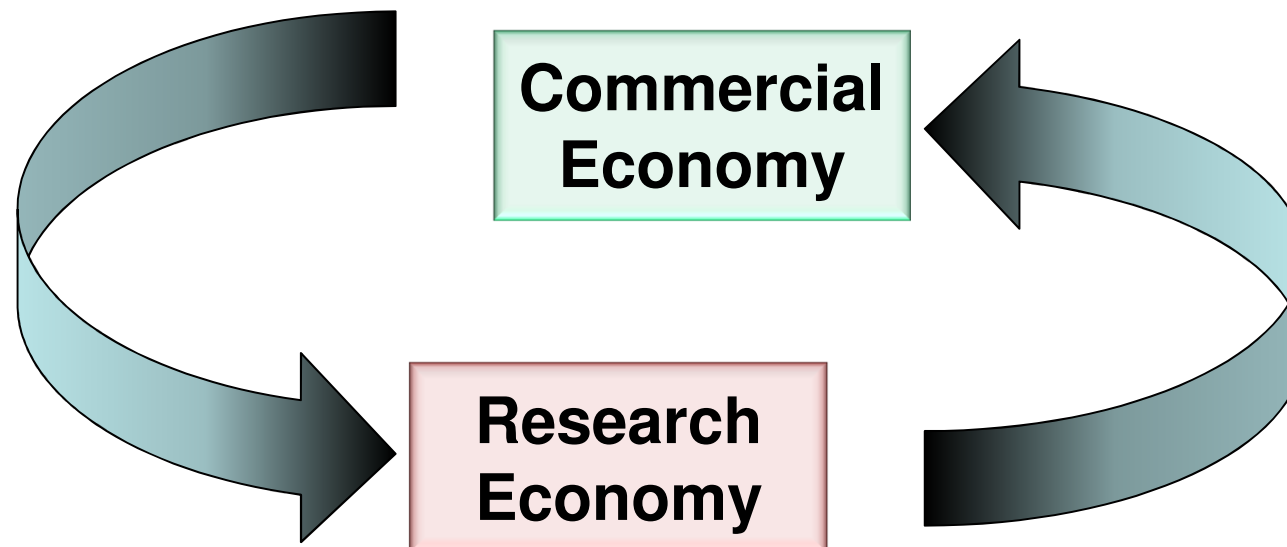
# Motivation/drivers for Innovation...



## Industry / Institution

- Competitive advantage
- Barriers to entry
- Freedom to operate
- Commercial value
- Business necessity

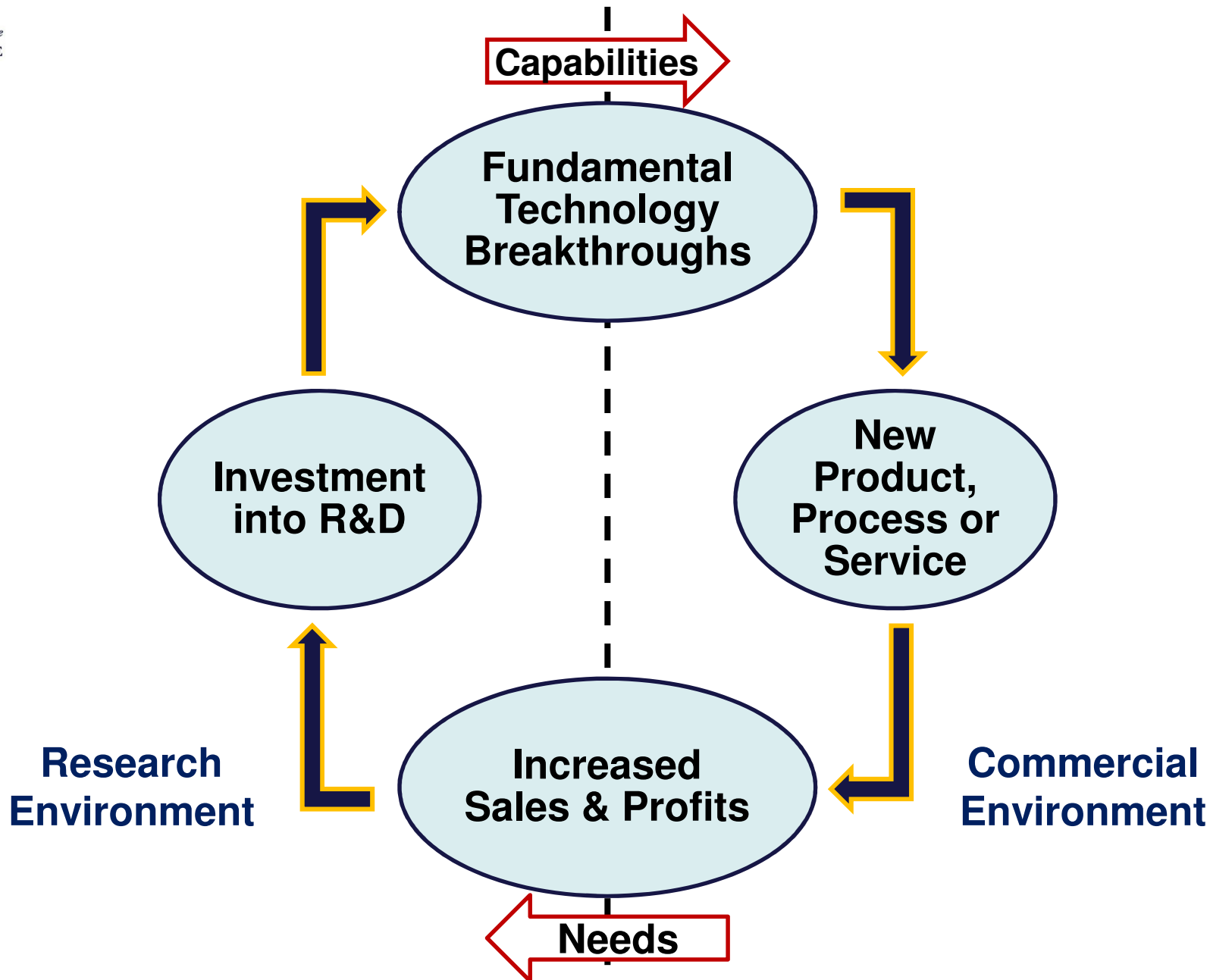
- New knowledge
- Capacity/capability
- Freedom disseminate
- Reputational value
- Statutory requirement





UNIVERSITY of the WESTERN CAPE

# The innovation cycle flow...



Source: Jackson, D. What is an Innovation Ecosystem, URENIO Research Unit, 2011

2014 (c) Reserved: Doug Sanyahumbi (Director, IPG) In Tracy Bromfield (SASOL), Presentation: Strategies for public-private partnerships in innovation, 2012



UNIVERSITY of the  
WESTERN CAPE

# Advantages to creating PPPs...

---



- Pool resources for critical mass & need-directed R&D**
  - R&D addresses adoptive capacity of industry early on
- Industry is resourced to commercialise/monetise IP**
  - HEIs lack adequate resources, networks, expertise etc
- Industry access to small pool of skilled resources**
  - High demand and highly mobile
- Support for Industry open innovation**
  - Access to a broader R&D base for sustainability & competitiveness
  - access to new IP for competitive advantage & diversification
- Promote economic growth & transformation**
  - meaningful job creation
  - Transformation in SA e.g. BBBEE, employment equity





UNIVERSITY of the  
WESTERN CAPE

# Challenges in creating PPPs...

---



## Reasons for establishing PPPs:

- Access to funds:** public sector researcher access to either public grants or private funds
- Access to markets:** PPPs leverage public support for value add to products and raise the quality and brand value for access to local and international markets.
- Open innovation:** firms collaborate to source/access innovation beyond own 4 walls

Source: [www.ifpri.org/divs/isnar/isnardp.asp](http://www.ifpri.org/divs/isnar/isnardp.asp). Hartwich et al., 2005 in Hartwich, F, Gonzalez, C, and L. Vieira, Public-Private Partnerships for Innovation-Led Growth in Agrichains: A Useful Tool for Development in Latin America?



UNIVERSITY of the  
WESTERN CAPE

# SA Challenges in creating PPPs...

---



- IPR Act perceived as a deterrent to Ind-HEI partnerships**
  - IP ownership
  - Full cost
- Industry vs HEIs timelines**
  - Market demand vs degree timelines
  - Bureaucracy & red tape – timeline to decisions
- Limited public-private sector interactions**
  - Research institutions – industry interactions (open innovation)
  - Poor institutional/industry frameworks for engagement
- Limited/ineffective incentive schemes for PPPs**
  - THRIP, SPII, R&D tax rebate
- Limited inter-departmental co-ordination**
  - At government and institutional levels



UNIVERSITY of the  
WESTERN CAPE

# Key Success Factors for PPPs...

---



- Manage stakeholders' expectations**
  - Keep everything simple and clear
  - Ensure conducive environment for participation by all not some partners
- Supportive environment**
  - Good leadership, operational management and governance
  - Access to financial & human resources
- PPP outputs driven by market demands**
- Long-term commitment by all parties**
  - Based/built on mutual trust, respect & entrepreneurial spirit
  - Fair negotiation with clear risk/reward sharing
- Alignment of purpose**
  - Interests & clear contractual agreements
  - Clear monitoring & evaluation, & criteria for measure of success



UNIVERSITY of the  
WESTERN CAPE

# Conducive Environment for successful PPPs...

---



- ❑ **Common interest:** partnerships viable where partners have interests in common - technological, market, and public demands in the sector/industry value chain.
- ❑ **Favourable cost-benefit:** each partner's expected benefits must outweigh expected costs.
- ❑ **Synergistic partnership:** expected benefits within partnership are greater than the benefits within alternative arrangements.
- ❑ **No significant conflict:** partnership does not create substantial conflict with existing and/or envisaged interests, brand reputation of the parties.
- ❑ **Proportional-benefits:** each partner's contribution and expected benefits are not disproportionately lower than those for other partners.

Source: [www.ifpri.org/divs/isnar/isnardp.asp](http://www.ifpri.org/divs/isnar/isnardp.asp). Hartwicheetal.,2005 in Hartwisch, F, Gonzalez, C, and L. Vieira, Public-Private Partnerships for Innovation-Led Growth in Agrichains: A Useful Tool for Development in Latin America?



UNIVERSITY of the  
WESTERN CAPE

# Recommendations for Stronger PPPs...

---



## Some recommendations:

### Better planning upfront:

- Clarify expectations and agree on objectives to ensure public benefit
- Establish and set priorities for achieving social benefits

### Develop monitoring & evaluation framework

- Key to assessing achievement of both private and social benefits

### Include appropriately skilled public sector human resources:

- in research organizations, universities, governments
- Participate in planning, implementation and evaluation

### Build capacity & awareness (entrepreneurs & researchers):

- benefits of PPPs
- Negotiating win-win PPP arrangements
- Key success factors for PPPs

Source: [www.ifpri.org/divs/isnar/isnardp.asp](http://www.ifpri.org/divs/isnar/isnardp.asp). Hartwich et al., 2005 in Hartwich, F, Gonzalez, C, and L. Vieira, Public-Private Partnerships for Innovation-Led Growth in Agrichains: A Useful Tool for Development in Latin America?



UNIVERSITY of the  
WESTERN CAPE

# 'Best Practices' in creating PPPs... 1

---



**NB:** Nature of a specific project & local concerns determine implementation method:

## 1. Public Sector Champion:

- promotes and advocates for the use of a PPP in the project
- minimizes misconceptions re: value to the public of the PPP

## 2. Statutory Environment:

- statutory framework in place to govern establishment & implementation of PPPs
- Transparency and a competitive proposal process key to effective PPP
- Unsolicited PPP proposals with creative, innovative approaches to address specific public sector needs should be considered

## 3. Organized Public Sector Structure:

- a public sector PPP Unit where a dedicated team involved in all stages of PPP; conceptualization, negotiation, implementation, monitoring & evaluation of the partnership
- Unit develops Requests For Proposals (RFPs), including objectives & performance goals
- Unit considers proposals based on best value, not lowest prices
- Develop effective tool for evaluating overall economic value – e.g. inclusive Value for Money (VfM) calculations

<http://www.ncppp.org/ppp-basics/7-keys/>



UNIVERSITY of the  
WESTERN CAPE

# 'Best Practices' in creating PPPs... 2

---



## 4. Detailed Contract (Business Plan):

- must include a detailed description of the responsibilities, risks and benefits of both the public and private partners
- must include a clearly defined method of dispute resolution, as not all contingencies can be foreseen

## 5. Clearly Defined Revenue Stream:

- clear & identifiable revenue streams, able to provide an acceptable rate of return to private partner over the term of the partnership
- revenue sources must be reasonably assured for the length of the partnership's investment period, e.g. fees, tolls, commercial use of underutilized assets etc.

## 6. Stakeholder Support:

- Open and honest communication to all stakeholders re: value to the public, is critical to minimize potential resistance to the PPP.
- e.g. of stakeholders: relevant employees, the public receiving the service, the press, appropriate labour unions and relevant interest groups

## 7. Pick Your Partner Carefully:

- Long-term PPP relationship relies on "best value" (not always lowest price) - key for a successful partnership
- Candidate's experience in the specific area of partnerships being considered is an important factor in identifying the right partner
- Financial capacity of the private partner critical to consider in the selection process

<http://www.ncppp.org/ppp-basics/7-keys/>



UNIVERSITY of the  
WESTERN CAPE

# Thank You...

---



## QUESTIONS



**Doug Sanyahumbi** (PhD, MBA)

Director: Technology Transfer Office  
University of the Western Cape