Private-Public Partnerships (PPPs or P3s) (V4)

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# Overview

Private-public partnerships (PPPs or P3s) have been an effective mechanism for augmenting the impact of the Federal government in addressing complex, multi-sector problems. Whether seeking to update and improve physical infrastructure, engaging the scientific community in researching and discovering a cure to major disease, or brokering relationships between public service and software application developers, P3s can and have played a vital role in addressing societal challenges. By convening multi-stakeholder entities to develop and deploy a P3, leadership can draw on the capacity, flexibility, and financing of the private sector to advance the public good.

## Why do P3s?

The complex, multifaceted nature of many thorny public policy challenges require systems thinking and a problem-solving approach that catalyzes the entire community to define, diagnose, and address the root causes. Across the Federal government, public-private partnerships continue to demonstrate real and sustained results. Over time, though, P3s have evolved to integrate and benefit from other societal stakeholders beyond the traditional public and private sector stakeholders. Recent models encourage diversity of input by involving additional stakeholders and leveraging leading practices and the expertise of different disciplines. By diversifying funding sources, distributing risk and reward effectively, and bringing multiple sectors to the table, P3s allow government officials to more efficiently expand, develop, and improve services while catalyzing societal actors around a common goal.

## How to Create P3s

Building successful, sustainable partnerships begins with the development of a common agenda with clear goals and a structure for the engagement. Working collaboratively, public and private sector leadership develop a framework to pursue mutually beneficial goals (a “common agenda”), often with Federal partners offering backbone support to ensure successful implementation of the strategy. To initiate and sustain collaborations, work must be based on trust, relationships, and the collaborative power of multi-sector participation. Public sector leaders play the most significant and essential role in identifying and brokering collaborative partnerships, and it is critical that Federal partners set a tone of openness and solidarity when inviting partners to the table. [[Source](http://www.ssireview.org/articles/entry/collective_impact)]

Key components to initiate and advance a public-private partnership include:

* Constructing a legal framework to establish and enforce long term P3 agreements
* Commissioning and/or installing the various policies, processes, and tools that need to be set in motion to guide and sustain the partnership
* Explore alternative financing mechanisms/innovative procurement to work towards sustainability for partnership, whether within USG or to spin out of USG for independence.
* Identifying technical skills required to develop, advance, sustain and evaluate P3 projects and negotiate agreements
* Ensuring skilled staff are in place to manage and oversee projects over the long-term ([source](http://www.fhwa.dot.gov/ipd/p3/))

For P3s, agencies often need to develop capabilities that they may have not traditionally possessed. Bringing in personnel or external support to negotiate and manage agreements with private sector partners has frequently been integral to successful P3 launches. Agencies may also need to develop new policy, which can require capacity-building investment in legal, technical, financial and managerial areas. Acquiring external support to establish processes and structures, such as specialized P3 units, is one way for an agency or department to build capacity for future P3 efforts.

# Benefits to Using a P3 Approach

A P3 is traditionally understood as a contractual arrangement between a public agency and a private sector entity that transfers all or some of the design, construction, operation, financing, and maintenance of a public sector initiative to the private sector ([source](http://www.fhwa.dot.gov/ipd/p3/)). As the P3 model has evolved, more dynamic partnerships have involved additional societal perspectives, including nonprofits, academia, and other stakeholders from different institutions. In P3s, the skills and assets of each sector are drawn upon to deliver a service or facility to the general public. The underpinning of any P3 agreement is the integration of entities and individuals best suited to support advancement toward a common goal. From the public sector standpoint, the benefits of P3s are that both financial and human capital from outside the government are brought in to deliver on projects and programs aimed at advancing the public good.

## Why use a P3 approach

Faced with resource constraints, Federal, state, and local governments increasingly use P3s as an alternative approach to leverage investment in infrastructure, social services, and other public interests vital to helping economies grow and improving the lives of Americans. By sharing expertise and resources together, P3s can achieve greater impact than programmatic efforts undertaken by the public sector alone. Successful partnerships also spur innovation and economic growth. Recognizing the many benefits of collaboration, organizations are increasingly investing more resources in partnerships. ([Source](https://www.cdc.gov/phpr/partnerships/documents/a_structured_approach_to_effective_partnering.pdf))

Benefits of the P3 approach include:

* Improved operational efficiency in public service delivery through the introduction of private sector technology and innovation
* Incentives for private sector partners to deliver projects on time and within budget
* Imposition of budgetary certainty by setting present and the future costs of projects over time
* Augmentation of limited public sector capacities to meet the growing demand for infrastructure development
* Increased national competitiveness through foundational infrastructure investments
* Assurance of long-term value-for-money through appropriate risk transfer to the private sector over the life of the project – from design/ construction to operations/ maintenance

There are also significant national economic benefits, particularly for infrastructure-related P3s. Most proximately, P3s often benefit business and industry associated with infrastructure development (such as construction, equipment, support services). Additional benefits are gained from the expansion of local private sector capabilities through joint ventures with large international firms, as well as subcontracting opportunities for local firms in areas such as civil works, electrical works, facilities management, security services, cleaning services, and maintenance services. Moreover, the gradual, structured exposure of state owned enterprises and government to increasing levels of private sector participation that ensure skills transfer to national champions that can run their own operations professionally and eventually export their competencies by bidding for projects/ joint ventures. [[Source](http://www.fhwa.dot.gov/ipd/p3/defined/)]

# History of P3s

Public-private partnerships have a long and storied history of augmenting Federal work. Some of our nation’s largest and most impactful undertakings have used the P3 approach. From Thomas Jefferson’s commission of private explorers Lewis and Clark to map and understand the Louisiana Territory to the construction of the nearly 2000 mile long Transcontinental Railroad to the development and commercialization of the Internet, P3 models have harnessed the power and creativity of individuals and entities outside of government to support and tackle big challenges.

Historically driven by the lack of public financing to support the development of large-scale infrastructure projects, P3s have often used private capital and expertise to fund and build physical infrastructure. Many modern P3s have responded to the need for rebuilding and revitalizing communities and infrastructure.

Partnerships around the US have successfully implemented a range of pursuits from single projects to long-term plans for [economic growth](http://downtowndurham.com/about-ddi/), [health](http://www.biomarkersconsortium.org/), [education](http://www.heritage.org/research/reports/2001/08/new-tax-law-boosts-school-construction-with-public-private-partnerships?utm_source=Onvia) and other improvements in the social sector. P3s have been used to complete major real estate projects such as mixed-use developments, urban renewal through land and property assembly, public facilities such as convention centers and airports, and public services such as affordable housing ([source](http://uli.org/wp-content/uploads/2005/01/TP_Partnerships.pdf)). State and local governments have introduced innovative P3s in which the public sector, private firms, and civil society organizations identify opportunities for the design and implementation of new forms of collaboration.

Over time, the approach has morphed into “creative alliances” whereby a government entity and external actors collaborate around a common purpose ([source](http://uli.org/wp-content/uploads/2005/01/TP_Partnerships.pdf)). Actors from all across society are now integrated into the partnerships. Non-governmental and nonprofit organizations have been woven into partnerships to enhance and advance myriad issues such as healthcare, education, and youth employment. Community-based organizations representing citizens have engaged in collaborative partnerships to ensure greater stakeholder involvement and buy-in to increase the sustainability of the P3 work in communities. Intermediary groups such as business improvement districts and citizens and neighborhood associations have also been involved to better represent the perspectives of different groups and interests.

# How to Launch P3s

The introduction of P3s implies rethinking the traditional role of the public sector in the creation, financing, and implementation of policies and programs, and instead emphasizes the public sector as a collaborative partner. Although maintaining a business focus and for-profit orientation, the traditional role of the private sector also shifts in terms of private actors recognizing the role they can play in contributing to the sustainable development of communities.

## Determining what projects might be a fit for a P3: Conventional approach vs. the P3 approach

Conventional approaches to projects and getting work done from within the Federal government have traditionally followed a “design-bid-build approach.” ([source](http://www.fhwa.dot.gov/ipd/p3/toolkit/)) An agency or department determines the parameters of the work it would like to have done, issues a request for bids, and awards a contract based on the “best bang for its buck”. In these traditional structures, the public sector entity bears all the risk and responsibility for financing, and overtime, the entity is responsible for operating, maintaining and financially sustaining the project.

In the P3 model, the process shifts and follows a “design-build-finance-operate-maintain” approach. The public sector retains responsibility for protecting the interests and greater good of the public, while the risk, financing, and ownership is redistributed to private sector and other external entities. The private sector typically covers the majority of costs and agrees to own, operate and maintain the project with guidance and oversight from the public sector. Table 1 below breaks down the traditional process versus the P3 approach with private sector engagement.

## Comparison of conventional projects to P3 projects – simplistic approach ([source](http://www.fhwa.dot.gov/ipd/p3/toolkit/))

As P3s have evolved into creative alliances and different types of partners are brought on board, additional factors come into play from a structural standpoint in terms of ownership, management, and how to construct the right arrangement to deliver the public good. The fundamental aspects of how the private sector is engaged remains consistent, but in some cases, the structures have evolved to include and consider how additional partners might be best represented. Focusing on the advantage that each partner might bring, structures have adopted and adapted to suit the need and design of the project or program.

## Alternative structures to consider

### Public-Philanthropic Partnerships

As the traditional structuring of P3s expand to include additional societal stakeholders, collaboration between government and philanthropic foundations has emerged as a powerful tool in tackling dynamic social issues. Public-philanthropic partnerships:

* Develop and invest in pilot programs in collaboration with government
* Jointly fund established programs with government
* Support capacity building within government and government grantees
* Convene government officials, experts, and various stakeholders
* Educate the public and members of the policy community
* Fund research and policy analysis
* Evaluate policy implementation

[Source: Abramson, Soskis, and Toeplet, “Public-Philanthropic Partnerships in the U.S.: A Literature Review of Recent Experiences”, Council on Foundations, 2012.]

Each of these functions carries with it particular benefits, costs, and risks, and each can fall within a range of positions on a “collaboration continuum.” At one end of the spectrum are unstructured engagements with little coordination; at the other, formalized partnerships are characterized by joint-decision making. The degree of alignment between a foundation’s and government’s goals and strategies intensifies as one moves across the continuum, implementation of strategies is increasingly undertaken in concert, and resources are also increasingly aligned and pooled.

One successful example of the public-philanthropic partnership is the [Social Innovation Fund (SIF).](http://www.nationalservice.gov/programs/social-innovation-fund) Lauded as “the most heralded of the Obama administration’s PPP initiatives and the one most closely associated with a new entrepreneurial approach that promotes cross-sector partnerships,” SIF exemplifies a particular variant of the P3 model, where the primary objective of Federal and philanthropic collaboration is the pursuit of leverage and scale.

SIF demonstrates how the Federal government can act as a “convener and catalyst” to leverage and promote the power of philanthropy in problem solving, according to Thomas Kalil, Deputy Director of Policy for the Office of Science and Technology Policy. The SIF was established with the passage of the Edward M. Kennedy [Serve America Act](http://www.nationalservice.gov/about/legislation/edward-m-kennedy-serve-america-act) in April 2009 and housed in the [Corporation for National Community Service.](http://www.nationalservice.gov/about/legislation/edward-m-kennedy-serve-america-act) At its inception, the White House announced it would award through SIF $50 million in allotments of $5 million to $10 million each, to a handful of intermediary grantmakers who in turn award grants of $100000 minimum to “subgrantee” service providers for projects to improve measurable outcomes in the areas of economic opportunity, public health, or youth development. In May 2010, five foundations committed an additional $50 million to supplement the fund.

This structure is appropriate to deploy when an agency or department is looking to leverage and catalyze funding from philanthropic foundations that are aligned with the overarching mission of the partnership. The development of a common agenda and creative alignment in the partnership should follow similar structures for P3s.

Bringing support in-house: Establishing a partnership organization or team to support collaboration [sidebar]

In traditional P3s, the partnership is created and sustained by a single individual or group within the agency or department. Overtime, the time required to manage, cultivate, and grow collaborative relationships increases, leading some innovators to consider alternative approaches to establish and advance the goals of an agency through partnerships. Creating a partnership team or external organization, such as that of the [FNIH](http://www.fnih.org/about), brings together an office, team or external entity that is tasked with managing, coordinating and designing partnerships for an entire organization. In this approach, the sole purpose is to create processes, policies, materials, and other support tools required to manage partnerships that live in a specific office, organization or team. The [Department of Transportation](http://www.fhwa.dot.gov/ipd/p3/default.aspx), [Centers for Disease Control](http://www.cdc.gov/about/business/business-sector/partnering.html), and other agencies have found value in creating in-house units focused on partnership development and building P3s.

# Success Stories

## USAID’s Global Development Alliances (GDAs)

### Summary

At the start of the 2000s, the U.S. Agency for International Development (USAID) identified an important trend in development funding: The private sector accounted for more than 80 percent of investment in the developing world. This trend marked a reversal from 40 years earlier when public assistance provided the majority of resource flows to developing countries. As a result, vast arrays of new actors were beginning to shape the field of development assistance ([USAID](https://www.usaid.gov/gda/gda-history)).

In response, USAID created the Global Development Alliance approach to partnerships. Across nearly every industry and sector, USAID is now working in partnership with both global and local private sector organizations to increase its reach and effectiveness. GDAs do more than just capitalize on philanthropy or corporate social responsibility, instead fully leveraging market-based solutions to advance broader development objectives. When successful, the resulting alliances have proven to be both sustainable and have greater impact than single sector efforts.

### Key Accomplishments and Impact

A global leader in designing and building public-private partnerships for development, since 2001, USAID has formed more than 1,500 P3s with over 3,500 distinct partners organizations, with an estimated value of more than $20 billion in public and private funds. In 2015, USAID had over 250 active P3s within the GDA portfolio with a combined life-of-project USAID commitment of over $1 billion and a total combined private sector leverage of over $1.3 billion. ([USAID](https://www.usaid.gov/gda))

Across the various partner domains, some key success indicators from the GDAs include:

1. Unlocking over $3.7 billion in private local capital through [the USAID Development Credit Authority](https://www.usaid.gov/what-we-do/economic-growth-and-trade/development-credit-authority-putting-local-wealth-work) for entrepreneurs in the developing world
2. Over 3 million private investments in smallholder farmers, securing over $10 billion in commitments from more than 200 African and international companies to address Food Security and Nutrition in Africa.
3. [Power Africa](https://www.usaid.gov/powerafrica), an initiative of USAID, has leveraged more than $20 billion in commitments from private sector partners leading to over 4,000 megawatts of worth of transactions for power projects across Africa.

### How They Do It

GDAs combine the assets and experiences of the private sector (including corporations, foundations, non-governmental organizations (NGOs), universities, local businesses and diaspora group) and leverage their capital, creativity, and access to markets to solve the complex problems facing governments, businesses, and communities. The partnerships focus on achieving shared goals. From the start of collaboration, USAID concentrates on engaging parties around the mutual focus of wanting to solve a problem. By supporting the growth of businesses and increasing investment into sectors that are critical to development, USAID is able to tackle shared goals by identifying overlapping objectives and harnessing the power of multiple sectors in developing settings

GDAs are co-designed, co-funded, and co-managed by all partners involved, so that the risks, responsibilities, and rewards of partnership are shared. They work best and have the greatest development impact when private sector business interests intersect with USAID’s strategic development objectives.

Priorities for USAID partnerships include:

* Gaining buy-in using at least one to one leverage (cash and in-kind) of USAID resources;
* Collaborating on defining common goals for all partners involved;
* Jointly-defining a solution to a social or economic development problem;
* Engaging non-traditional resource partners (companies, foundations, etc.);
* Ensuring that resources, risks and results are equitably shared across the partnership; and
* Continuing to innovate and create sustainable approaches to development within the partnership model.

In its partnerships, USAID plays a number of key roles including co-investor, convener, and risk-mitigator:

* **Co-investor** - USAID invests its own resources to help catalyze a sector. This demonstrates they are willing to put skin in the game, demonstrate buy-in, and willingness to take on some risk.
* **Convener** - USAID capitalizes on its role within the global development community by bringing people together to initiate partnerships. This occurs by organizing single events and/or creating multiple touchpoints over time for relationships to develop. The agency’s global reach enables it to invite anyone to a seat at the table to discuss collaborations. Often times, the majority of the work in building a partnership consists of getting the right people to sit down together. (Source: Seema Patel Interview).
* **Risk-mitigator** - USAID facilitates investments to limit the risk of partners. Often, private investors in developing settings operate on a risk-averse platform. USAID uses the GDAs to catalyze investment. Working with financial institutions, companies, and other financial providers, USAID facilitates greater private investment in support of the common agenda and key development objectives. These efforts have demonstrated to have a direct effect on the success of private sector initiatives by helping overcome investment challenges and integrate development focused approaches into investment strategies.

### Key Insights

#### What are the Guiding Principles of an Alliance?

Alliances between USAID and its partners are based on [seven key principles](https://www.usaid.gov/gda):

1. **Trust:** Trust is an essential foundation enabling partners to work together despite individual alliance organizations' differing interest, motivations, cultures, values, and infrastructures. Trust is also fundamental to building a fruitful relationship with communities an alliance is trying to work with or in.
2. **Equity:** Equity implies that each partner is equally welcome and important to an alliance. Global Development Alliances are created on the precept that each partner is of equal value to an alliance.
3. **Competencies:** It is necessary to identify, build, and maximize the roles and responsibilities of each partner according to the alliance's goals and mission. There must be an appropriate competency mix in the partner organizations and individuals to achieve the partnership's goals and interests.
4. **Inclusivity:** Inclusivity concerns the ability for an alliance to process the views and needs of its stakeholders -- those groups who affect and/or are affected by the alliance and its activities -- and to reflect on these expectations at all evolutionary stages of the alliance.
5. **Partnership Alignment:** Each partner should come together to jointly define an alliance's objectives according to overlapping interests and agendas.
6. **Mutual Benefit:** Healthy alliances will work toward achieving specific benefits for each partner over and above the common benefits to all partners. If each partner in an alliance is expected to contribute to the alliance, they should also be entitled to benefit from it.
7. **Transparency:** Openness and honesty in working relationships are a pre-condition of trust. In order to build trust, there must be full, accurate, and timely disclosure of information and communication on a regular basis.

**To learn more:**

* Review USAID’s latest report on [Partnering with the Private Sector](https://www.usaid.gov/sites/default/files/documents/15396/usaid_partnership%2520report_FINAL3.pdf)
* Visit [Global Development Alliances](https://www.usaid.gov/gda) for more “how-to” and successful stories from GDA
* Consider taking USAID’s online [course on building partnerships](https://www.usaidallnet.gov/training/ideagp/#91EEDA12-A48D-EF22-E02E-40A8D1B892DA)

# Foundation for the National Institutes of Health

### Summary

The Foundation for the National Institutes of Health (FNIH) procures funding and manages alliances with public and private institutions in support of the mission of the National Institutes of Health (NIH). Established separately from the NIH by Congressional mandate, the Foundation is an independent structure designed to support the efforts of NIH through collaborative partnerships. The FNIH organizes and administers research programs, supports education and training of new researchers, organizes educational events and symposia, and administers a series of funds supporting a wide range of health challenges. As an independent organization, it is able to raise private funds and create P3s to support the NIH’s mission.

### Key Accomplishments and Impact

The FNIH has created hundreds of cross-disciplinary partnerships that have generated new ideas, overcome obstacles, and achieved significant progress in NIH initiatives. The organization stands at the center of a broad portfolio of initiatives that support the mission of the NIH to advance biomedical science and improve lives. Some of the key impacts of FNIH efforts include:

* **Research Partnerships**: Developing collaborations with top experts from government, industry, academia and the not-for-profit sector working toward a common goal. Examples include:
  + **Portfolio Supporting NIH Research** — Supporting and raising funds for multiple projects initiated by the NIH, while also convening the right partners within and outside of the NIH.
  + **Global Health** — Coordinating and operating 17 collaborative projects in 25 countries.
  + **Biomarkers Consortium** — Initiating and managing more than 20 projects funded with more than $50 million in private dollars, designed to develop and validate biological markers to support new drug development and patient care.
* **Symposia, Events and Exhibits:** Hosting more than 50 events each year that are organized to create a forum for innovative thinkers in biomedical sciences to share ideas and engage the public in disease and health awareness.

### How They Do It

Congress created FNIH specifically for the purpose of establishing partnerships which would support the mission of the NIH. Functioning as a broker across various sectors and institutions, all of FNIH’s work depends on collaboration. The partnerships forged by FNIH provide funding support as well as expertise and resources to achieve specific goals for each independent project. Every project is unique and again formed and founded on a common agenda and mutually reinforcing goals. Each collaborative partner is brought in and engaged based on a results-oriented mindset and the belief that “what we can achieve collectively is far greater than that of any single organization” ([source](http://www.fnih.org/)).

By applying the power to facilitate and draw the right partners into an initiative - people, organizations, and businesses with diverse knowledge, abilities and viewpoints are convened around a common problem that everyone is looking to solve.

Projects are initiated by NIH. NIH experts and staffers develop a short description that is then shared through the office of the NIH director. Once the NIH director approves of the idea, it is then transferred to FNIH. FNIH then works with the originator of the concept to come to a better understanding of what they would like to accomplish. Following the development of the idea, FNIH then lays the groundwork for engaging partners. This often begins by initiating a convening. Using its network of contacts, FNIH convenes key relevant stakeholders. From there, the partnership process entails:

* *Crafting a common agenda and engage partners who can support the mission:* Ensure everyone is on the same page about what you are trying to accomplish. FNIH Director Stephanie James, explains that the first step is to define the problem that you are trying to find a solution for, and ensure that everyone is in agreement about what it is.
* *Determining the type of resources that are required to achieve the solution:* FNIH involves the partnership community in collectively understanding what human and financial resources are required to solve the problem
* *Building an appropriate structure that can be effective in solving the problem*: FNIH does not have a set prescription or blueprint for its partnerships. Everything is designed and tailored to the specific agenda and project.
* *Creating multiple touch points for the community to continue to cultivate relationships and interact*: FNIH convenes its partners regularly at events, symposia and other activities to allow for partners to engage and grow their individual relationships

### Key Insights

The FNIH is mission-driven to create a nexus between discovery and collaboration. According to Director of Science Dr. Stephanie James, discoveries that advance human health are not simply a matter of bringing together the best minds from government, industry, academia and not-for-profits. Facilitating breakthroughs means helping partner organizations collaborate in ways that harness their full power and potential.

Sitting outside government is central to the success of FNIH, as it provides the ability to act as a bridge between the NIH, the research community, and potential funders. Because FNIH is an external entity, it has increased flexibility for making independent decisions, so long as the decisions align with the central mission of supporting the NIH. According to Director of Science Dr. Stephanie James, the bottom line for building partnerships is flexibility: “Typically a potential partner approaches FNIH and explains what it is they’re trying to get accomplished [...] Our role is to try to help them figure out how to make that happen, both structurally and financially.”

From FNIH’s perspective, stewardship is the most critical aspect of successful and sustained partnerships. Bringing people together to facilitate the construction of partnerships, and then serving as a steward and manager to support the continued success of the collaboration, drives much of FNIH’s work. One of the key functions FNIH plays is providing expectation management and coaching to partners from the beginning to the end of the collaboration, according to Julie Wolf-Rodda, FNIH’s Director of Development.

Collaboration at FNIH also requires flexibility and creativity, as staff finds ways to work within and expand existing parameters to build successful partnerships. One of the Foundation’s main roles is to understand what NIH can and cannot do, and structure its efforts accordingly -- supporting collaboration operations, ensuring funding is available, and operating within legal boundaries and frameworks. “A lot of times we end up having to talk to the Office of General Counsel about what can be done and what can’t be done, and then once we have the information, we have to come back and try to think creatively about making it work,” explained Dr. James.

**To learn more:**

* Review the FNIH [website](http://www.fnih.org/) and discover the various projects it has initiated through collaboration
* FNIH’s interactive [annual report](http://2015-annual-report.fnih.org/) conveys its impact through partnerships

# How to Launch a P3

Public private partnerships work best when everyone involved has a shared vision for what the partnership is trying to accomplish, and there is equal buy-in, participation, and voice built into the design of the partnership. The potential for greater realized returns through partnership does not come without risk; some estimates have shown that multi-sector partnerships have a modest 50% success rate. ([Source](https://www.cdc.gov/phpr/partnerships/documents/a_structured_approach_to_effective_partnering.pdf)). Many partnerships fail due to lack of organizational investment, insufficient leadership commitment, and few dedicated resources. These hurdles are further exacerbated by complications such as undefined roles and responsibilities, poorly aligned capabilities, and cultural differences. A structured approach to managing these risks is essential, given the large investment of time and resources required to manage partnerships. ([Source](https://www.cdc.gov/phpr/partnerships/documents/a_structured_approach_to_effective_partnering.pdf)).

Across various agencies and departments, some key lessons learned include**:**

* Use high-level power to convene
* Establish the legal boundaries
* Use the process of developing the P3 to get people at the table together within your institution
* Give people a process

## Use high-level power to convene

High-level leadership can play a role in establishing a call to action, which draws attention to the issue and engages and activates potential stakeholders. The power of an office or individual leader can function as a potent ingredient in facilitating and laying the groundwork for successful, collaborative engagement. Leaders should be brought in to initiate conversation and set the tone around the particular problem facing and the agency or department. They can begin the conversation and continue to support the community by keeping it a priority, which sets an expectation that “something big is going to happen in this partnership.” Putting “a prominent person on the hook” and in support of the initiative is often essential for launch. [Byron Auguste]

## Establish and understand the legal boundaries

Many architects of P3s explain that legal constraints often stifle creativity in developing P3 models. Understanding and assessing the parameters in which you can work provides a good starting place for determining what is possible. The office of general counsel is often on the speed dial of P3 support staff.

## Use the process of developing the P3 to get people at the table together within your institution

P3s require the collaboration of lawyers, contractors, career civil service, and leadership. At times, partnerships can be delayed by people’s unwillingness to work together. Collaboration begins within the agency or department looking to build partnerships. It requires buy-in and support from various levels of the agency or department. Different individuals serve different objectives, thus they may not always be in agreement or willing to provide the support needed to establish a P3. Bring people to the table to help gain their participation and trust, and establish an approach. Career employees need to be at the table to design things and be brought along/onboard.

## Give people a process

Instituting a process to facilitate the goals of the partnership is as important as the actual impact and benefits of creating as P3. The process can be used define, diagnose, and establish the objectives that the partnership will accomplish and how it will happen, while simultaneously bringing the key stakeholders together to ensure they are bought in to what the partnership aims to create. As Byron Auguste, former Deputy Director of the National Economic Council and co-founder and managing director of [Opportunity@Work](http://www.opportunityatwork.org/) explains, “[with the] Federal government you need a process, not just a substantive thought. You may have a very strong hypothesis about how things must work, but actually, the federal government works through process, not through ideas ... Ideas can inspire people in the government, but they actually need to work through a process.” The process works to establish the goals of the partnership and engage and activate the network of partners you plan to involve.

## Lessons Learned from the ground level

Former Social Innovation Fund (SIF) Program Manager Kirsten Breckenridge offers a perspective from working within a public-philanthropic partnership that engaged various philanthropic foundations, nonprofits, and other community-based organizations:

* *Ensure that the right groups are at the table in developing and organizing the partnership.* Some pitfalls that SIF encountered related to the human resource requirements, legal issues, and contracting approaches. Get people at the table together and in alignment with the end-goal. It is helpful to frame the conversation as, “This is where we want to go -- so let’s work backwards and determine how to get there.” The career people need to be at the table upfront and be brought along through the process. Similarly, a legal team that is willing to “get you to yes” in contracting and legal approval is a must for structuring the partnerships.
* *Work with intermediaries in communities so that an appropriate community-level context is included,* particularly in terms of where funding is focused. The SIF blends federal funds with philanthropic funds through the intermediary (e.g. the United Way) to enable people on the ground to facilitate.
* *Smooth the understanding and alignment of funding*. One challenge the SIF encountered was the “granular level of dollars.” The initiative was designed to be more unrestricted with the goal of not being overly prescriptive about what the funding could be used for from the Foundation side. However, the challenge was that once “their money touched our money” it was then beholden to the same government restrictions of federal dollars. This had implications for what the funding could then be used for.

## Steps to Applying P3

While every P3 has a different focus and agenda, key implementers and designers of P3s within government offer one consistency across all partnerships is that each partnership model is different and thus require patience and flexibility in the design. According to Byron Auguste, former Deputy Director of the National Economic Council and co-founder and managing director of [Opportunity@Work,](http://www.opportunityatwork.org/) flexibility is key. Designing a partnership arrangement is an iterative process, and sustained success often relies upon building in feedback loops from start to finish.

While acknowledging the diversity of each partnership, some common steps of deployment and practices can be drawn from different examples across federal agencies and departments. To deliver P3 projects, an agency or department needs to acquire or develop new knowledge, skills and abilities that vary by phase of project development, including policy, legal, technical, financial and managerial capabilities.

Drawing on previous partnerships, key steps taken to initiate a P3 are:

1. Understand the statutory and policy framework
2. Identify where a P3 can be deployed
3. Build a coalition
4. Conduct procurement
5. Monitoring and oversight

### 1. Understand the statutory and policy framework

The statutory framework a government entity (Federal, state, or local) is operating under defines the P3 arrangements that are allowed, which can dictate project selection, funding, management, and other policies for developing the P3 framework. Officials interested in deploying a P3 should first establish the boundaries of legislative and statutory regulations, as these set the parameters for collaborative engagement. Beyond the enabling legislation, agencies can establish specific policies that guide P3 project development. In many successful partnerships, agencies have involved general counsel and contracting experts in the initial framework for developing the partnership.

### 2. Identify where a P3 can be deployed

Identifying projects that have P3 potential early in the planning process allows agencies to consider how it may fit into long-term performance objectives and fiscal constraints. Early identification can help to position P3 projects for success by ensuring that the delivery model is considered in the scoping, preliminary design, and review of the project. To effectively identify projects with the potential for P3 delivery, agencies may need to build the capacity of expert personnel or bring in outside support early on. For example, the Department of Transportation brought in the support of transportation planners, project engineers and financial analysts to evaluate potential projects to be developed as P3s. Evaluating the feasibility of a P3 project requires estimating the potential life cycle costs of the project, the value of long term revenue streams, and the value of transferring specific risks to the private sector. Similarly, tax expertise is needed to assess tax benefits and obligations that may accrue to the private partner in a long-term agreement. Public agencies have often evaluated the potential feasibility and value of a P3 approach through technical planning, or financial and engineering studies. ([Source](https://www.transportation.gov/sites/dot.gov/files/docs/P3_Successful_Practices_Final_BAH.PDF))

### 3. Build a coalition

In any P3 scenario, success begins by establishing a coalition of collaborators interested in solving a problem. In some situations, external partners are brought in even earlier in the process to help with instituting and understanding the framework. (Source: Interview with Stephanie James, FNIH). Once the legal parameters have been understood, and the agency or department has determined the domain of interest in deploying the P3, collaboration can begin. Setting priorities for engagement often begin with a call to action whereby a high-level government official highlights the urgency of solving a specific public issue. From here, leaders can bring together various stakeholders to set a common agenda, determine measurable goals and timelines, and begin allocating workflow to partners based on areas of expertise. This initiation helps institute the partnership and facilitates contracting and procurement procedures.

### 4. Conduct procurement

Procurement is fundamental to the successful development and deployment of the P3. P3 procurement requires greater structural flexibility than traditional procurement to allow for innovation on the part of bidders, and to provide for more room to negotiate with multiple stakeholders. This often requires P3 architects from inside the government to work directly with contracting and procurement specialists to design a framework that can support the goals of the partnership. P3 developers advise that officials looking to employ the approach get to know their procurement specialists. During actual procurement, agencies may also need financial expertise to assess the financial quality of the bids and technical expertise to assess the qualifications of the bidder. A public agency may want to have experienced legal and technical advisors to help negotiate with the private partner. (Source and for more information see:<https://www.fhwa.dot.gov/ipd/pdfs/p3/factsheet_06_conductingprocurement.pdf>)

### 5. Monitoring and oversight

After the agreement is designed and signed, the real work begins. The public agency then functions in a management role. Maintaining relationships is a key aspect of the continued monitoring process. Additionally, the agency must manage the contract to ensure that it achieves the performance standards established in the agreement. The performance monitoring and oversight phase may require a strong set of skills within the agency to maintain oversight and evaluation responsibilities in-house. This includes the need for contract management skills to monitor the established performance standards and manage accordingly. In addition, the capacity to monitor technical performance during construction and operations can be critical to ensuring efficient service delivery.

[Text adapted from:<http://www.fhwa.dot.gov/ipd/p3/toolkit/>]

## Seven Keys to Success for P3’s

Though the context for each P3 deployment is unique, common best practices include:

1. **Public sector champions**: Deploy a high-level public figure to serve as a spokesperson and advocate for the project and use of a P3. Whether establishing a call to action, raising public awareness of an issue, or bringing together key stakeholders, well-informed champions play a critical role in messaging and catalyzing support for a P3. Relationships are key, and the person who runs point on the partnership is critical. An ideal champion is someone who has experience within and outside of government.
2. **Statutory Environment:** A statutory foundation for the implementation of the partnership is recommended. To enhance transparency and ensure accountability and a competitive proposal process, the statute should focus on soliciting a call for proposals.
3. **Public sector organizing structure**: A central organizing structure behind the P3 is useful for the successful facilitation and delivery of the intended outcomes for the partnership. Ensuring that a dedicated team exists from conception to implementation to final monitoring of the execution of the partnership is critical to its success.
4. **Detailed contract or business plan:** A P3 is a contractual relationship between the public and private sector, and other possible organizations and institutions, for the execution of a project or service. The contract should define in detail the description of the responsibilities, scope of work, and the risks and benefits of each party within the partnership. The contract can be written as a business plan to formulate
5. **Clearly defined revenue stream:** the private partner, in most cases, provides a significant portion of the funding to support capital improvements or other related investments within the scope of the partnership. The most successful partnerships also have a clear revenue stream for a predetermined period of time. The private sector investment offsets the initial costs and overtime the revenue stream retires the investment and provides an acceptable, sustainable rate of return. The revenue stream is typically generated by a variety of sources such as fees, tolls, availability payments, shadow tolls, tax increment financing, commercial use of underutilized assets, or wide range of other options.
6. **Stakeholder support:** For a partnership to be successful, it must engage a wide range of stakeholders. At each level, wherever possible, successful partnerships offer support for the different stakeholders. Affected employees, the general public, the desired user of the service from the partnership, or other interest groups will all be touched by the partnership. Crafting a strategy that anticipates how to support the stakeholders at every level is a key practice in successful partnerships.
7. **Selective partnership:** The best value in a partnership is not always based on the lowest price. The relationships between partners are the foremost ingredient in a successful partnership model. In addition to the relationship, a candidate’s experience with the discipline or domain is also an important factor in identifying the right partner. Ensuring that there is space to develop and grow the relationship, while establishing an equitable sharing of risk and reward should be considered in selecting and evolving a partnership.

[Seven Keys to Success for P3’s summarized from:<http://www.ncppp.org/ppp-basics/7-keys/>]

## Developing a Request for Proposals using the P3 model [sidebar]:

After the team has been built and conceptualized the specific problem and platform for engaging the P3 model, a Request for Proposals should be developed and released. The RFP should specify the mission and goals of the partnership, and indicate the measurable objectives that the team is hoping the P3 will accomplish. Consideration of proposals should focus on the best value, and not strictly the lowest price, to ensure quality is obtained with the partnership. Inclusive value for money (VFM) or cost-benefit calculations is one approach to rate and evaluate the potential overall economic value delivered from the various proposals. ([Source](https://ppp.worldbank.org/public-private-partnership/overview/practical-tools))

## Conducting a Value for Money analysis [sidebar]

Value for Money (VFM) is a process used to compare financial impacts of a P3 versus that of a traditional public delivery alternative. A Public Sector Comparator is developed to estimate the hypothetical risk-adjusted cost if a project were to be financed, built and operated by the public sector using its traditional procurement approach. With P3 procurement, the federal government trades away significant risks in exchange for higher baseline costs and financing costs in the P3 scenario ([source](http://www.fhwa.dot.gov/ipd/p3/toolkit/fact_sheets/)).

Steps to developing a VFM analysis include:

1. Create a Public Sector Comparator to estimate the whole-life cost of carrying out the project through a traditional approach
2. Estimate the whole-life cost P3 alternative (either as proposed by a private bidder or a hypothetical “shadow bid” at the pre-procurement stage).
3. Complete the “apples to apples” comparison of the two approaches.

(For a detailed explanation of how to compile the Public Sector comparator and P3 alternative see: http://www.fhwa.dot.gov/ipd/ forum/vfm\_for\_ppps/index.htm)

# Future States

As problems evolve and society becomes more networked and globalized, it is apparent that new solutions are needed that engages all possible sectors and resources. The strict P3 model has already begun to evolve and adapt in certain contexts:

* USAID’s Global Alliance partnerships engage the private sector in addressing major development challenges in diverse global settings
* Mayoral offices in [Somerville](https://collectiveimpactforum.org/resources/shape-somerville-building-and-sustaining-healthy-community-collective-impact), MA have played the role of convener and architect to bring together the private sector, philanthropic foundations, schools, and healthcare to address obesity and early childhood education
* The [Opportunity@Work](http://www.opportunityatwork.org/#opportunityatwork) project aims to catalyze opportunities for all Americans by acting as a social investor and incubator to co-design and launch new ventures, and to streamline and scale the adoption of existing tools, methods, public policies, business practices, and market institutions needed to improve pathways and training into careers.
* [My Brother’s Keeper](https://www.whitehouse.gov/sites/whitehouse.gov/files/images/MBK-2016-Progress-Report.pdf) is built to support young men of color through mentorship by providing opportunities to engage with professionals and members of the community to create increased pathways for success. The initiative engages the private sector, foundations, and other community based organizations in supporting young people across their community.

Each of these collaborative partnerships recognizes the creative shift away from the strict contractual agreements of the past to infuse new thinking, capital and engage entire communities in tackling big challenges in the United States and abroad.

As P3s continue to shift and adapt to the conditions of communities and public sector responsibilities, increased collaboration and engagement with all actors of society has become ever more important. These new creative alliances have room to advance and be adopted across all agencies and departments.

## Collective Impact: an alternative framework for engagement as next practice [sidebar]

As P3s have become more complex, involving partners beyond the strict public and private arrangement, a need for a process of engagement emerged from research on successful collaboration ([source](http://ssir.org/articles/entry/collective_impact)). The concept of Collective Impact follows from the belief that to solve complex problems, all actors across society must be engaged to achieve sustained impact and address the root cause of societal issues.

The recipe for a collective impact approach involves five ingredients ([source](http://ssir.org/articles/entry/collective_impact)):

* **Common Agenda**: successful partnerships start by coming together to collectively define the problem and create a shared vision to solve it. All participants are brought together to craft a shared vision for how things will look different as a result of the collaboration, one that includes a common understanding of the problem and a joint approach to solving it through agreed upon actions.
* **Backbone organization:** a dedicated team within or outside of government orchestrating the work of the group, working behind the scenes to make sure that the collaboration is moving in the right direction. Creating and managing collective impact requires a separate organization and staff with a very specific set of skills to serve as the backbone for the entire initiative. Coordination takes time, and none of the implementing partners has any to spare. The expectation that collaboration can occur without a supporting infrastructure is one of the most frequent reasons why partnerships fail.
* **Shared metrics:** shared metrics establish an agreed upon series of measurement that enables all participants to track progress in the same way. This improves the collective understanding of whether the partnership is achieving its goals and allows for continuous improvement.
* **Continuous communication:** building trust and relationships across all partners and participants is critical to the sustained success of collaboration. Instituting a strategic approach to communication across partners has demonstrated to be key for addressing complex challenges through collaboration.
* **Mutually reinforcing activities:** this means coordinating collective efforts to maximize the end result. This feeds on the trust and relationships across the partners and is supported by continuous communication. Collective impact initiatives depend on a diverse group of stakeholders working together, not by requiring that all participants do the same thing, but by encouraging each participant to undertake the specific set of activities at which it excels in a way that supports and is coordinated with the actions of others.

## Experimental practices [sidebar]

[**Performance Partnership Pilots**](http://socialinnovationcenter.org/wp-content/uploads/2016/06/P3_Report.pdf) for disconnected youth: A bipartisan experiment in local flexibility spanning several federal agencies, called Performance Partnership Pilots (P3) aims to test the hypothesis that additional flexibility for states, localities, and tribes, in the form of blending funds and waivers of certain programmatic requirements can result in improved outcomes for social service recipients – in this case, disconnected youth aged 14-24 who are low income and either homeless, in foster care, involved in the juvenile justice system, unemployed, or either not enrolled in or at risk of dropping out of an educational institution.<http://youth.gov/youth-topics/reconnecting-youth/performance-partnership-pilots/fact-sheet>

# Relevant Policies

* [American Recovery and Reinvestment Act of 2009](https://www.gpo.gov/fdsys/pkg/BILLS-111hr1enr/pdf/BILLS-111hr1enr.pdf) - authorized $126 billion for infrastructure projects, some of which have evolved into P3s by leveraging funding to incite private sector investment and involvement.
* [Edward M. Kennedy Serve America Act](http://www.nationalservice.gov/about/legislation/edward-m-kennedy-serve-america-act) in April 2009 - reauthorized and expanded national service programs administered by the Corporation for National and Community Service (CNCS), establishing new parameters of engagement with nonprofits, community-based organizations, and foundations.
* “[Realizing the full-potential of government-held spectrum to spur economic growth: Report to the President](https://www.whitehouse.gov/sites/default/files/microsites/ostp/pcast_spectrum_report_final_july_20_2012.pdf)”, President’s Council of Advisors on Science and Technology (PCAST), Executive Office of the President, July 2012 - established priorities for engaging the scientific community, and where and how P3s could be used to support strategic objectives of PCAST.
* “[Principles for Federal Engagement in Standards Activities to Address National Priorities](https://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-08.pdf)”, Memorandum for the Heads of Executive Departments and Agencies, January 17th, 2012. This memo laid the foundation for how to catalyze technology and private sector in supporting American innovation.

# Additional Resources

## Toolkits

1. P3 Implementation Toolkit, developed by the Federal Highway Fund and the Department of Transportation:<http://www.fhwa.dot.gov/ipd/p3/toolkit/>
2. Public-Private Partnership Readiness Tool: [http://www.unescap.org/sites/default/files/ESCAP%20PPP%20Readiness%20Tool.pdf](http://www.unescap.org/sites/default/files/ESCAP%2520PPP%2520Readiness%2520Tool.pdf)
3. World Bank Toolkit on Public-Private Partnerships – how-to guides, legal frameworks, example agreements, toolkits by sector:<https://ppp.worldbank.org/public-private-partnership/overview/practical-tools>
4. P3 Proposal Development Toolkit for Youth Employment:<http://forumfyi.org/P3resources>
5. Collective Impact Forum [toolkit](https://collectiveimpactforum.org/resources): webinars, presentations, and resources for implementing a collective impact//new frontier of partnerships

## E-courses and multimedia

1. USAID’s online course on developing partnerships:<https://www.usaidallnet.gov/training/ideagp/#91EEDA12-A48D-EF22-E02E-40A8D1B892DA>
2. E-Learning Series on Building P3s from United Nations:<http://www.unescap.org/our-work/transport/financing-and-private-sector-participation/public-private-partnership-course>

## Literature and further reading by topic

1. On [**Infrastructure projects**](http://transportation.house.gov/uploadedfiles/p3_panel_report.pdf): a house panel examined the current state of P3s across all modes of transportation, economic development, public buildings, water, and maritime infrastructure and equipment, and make recommendations for how to balance the needs of the public and private sectors when considering, developing, and implementing P3 projects to finance the Nation’s infrastructure.
2. Procurement of Public Infrastructure: [comparing P3s and traditional approaches](http://www.ivey.uwo.ca/cmsmedia/1964203/comparing-p3-and-traditional-approaches.pdf)
3. Public-Philanthropic Partnerships in the U.S.: [A Literature Review of Recent Experiences](http://www.cof.org/sites/default/files/documents/files/GMU-PPP%2520Lit%2520Review.pdf)
4. Public-Private Partnership [Handbook](http://www.adb.org/documents/public-private-partnership-ppp-handbook) from the Asian Development Bank – diverse perspectives from different experiences around the world, practical advice on structuring