

## THE ROLE OF PUBLIC-PRIVATE PARTNERSHIP IN COMMUNITY DEVELOPMENT

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**Abstract:** *This article approaches the idea that a community always stands to gain if public-private sector collaboration projects are developed within its territory and to its members' benefit. Financial, material and human resources, if efficiently combined and used can lead to community problem solving. Public-private sector partnership is a method of collaboration between public authority and the private sector, i.e. non-governmental organizations, in order to implement a project which positively influences local development. Public-private sector partnership can lead to faster implementation of a program for planned investments, as they can add quite substantial extra financing to the traditional budget programs. Also, it is beneficial to usefully combine public with private sector expertise in order to thoroughly assess projects and ensure project growth. Public-private partnership can also ensure social welfare and it is a means to attaining multiple goals: reducing public expenses, public services improvement, more efficient public administrative activity, which should generate truly less expensive management with qualitative and more efficient programmes.*

**Key words:** *partnership; growth; community welfare; commitment decisions; civil society*

### Introduction

Within the Romanian social services there is an on-going changing process, accelerated by adoption of the Social Welfare Law no. 292/2011. Service decentralization, more efficient use of existent services, exploring new means of financing developing local services, and also providing more diverse services were priorities of the law, although these were also affected by the financial crisis and its toll on local budgets. Furthermore, these measures have not been accompanied by unitary methodologies nationwide, which would allow local authorities to give a complex diagnosis of social needs, to accurately allocate the needed budgets, or to efficiently monitor them.

People's need for social service is continually growing. As everywhere, the financial crisis (Otovescu et al., 2011), the unemployment of youth and the elder generation (45 and over), economic migration of the people, as well as population ageing have led to new necessities and phenomena, requiring active measures, flexible, fast, both locally and nationally, so as to be able to guaranty decent living conditions and fundamental rights of citizens (Zamfir in Otovescu, coord., 2010).

Many of the current social issues cannot be efficiently handled by a single actor or civil society, either governmental, or private, which is why we admit the fact that governments can no longer deal with occurrent social issues on its own, that the private sector must take on social responsibilities, and that civil society must play a more important part. One of the government's objectives in the last decades has been cost reducing, without decreasing the number of services.

Lately, in Romania there has been an increased attention for public and private sector cooperation, with regards to social policies. An increased willingness and ability of the private sector to take over a number of the government's social responsibilities has led to increased efforts to reach objectives and implement projects through an overall cost efficiency and social service quality improvement.

The starting point in developing various forms of partnership is one of the most important principles of social assistance: social collaboration as a means of achieving and assessing social assistance action. Extremely relevant for a successful partnership is pairing its implementation with other principles of social assistance: social solidarity, universal right to social assistance, providing warranty that it is accessible to everyone, flexible social assistance solutions and ensuring they meet the real needs of the individual or family; validating independence and personality autonomy, honouring human dignity.

### **1. The partnership concept and public-private partnership**

From a historical point of view, the partnership appeared as a consequence of the need to replace the common conflict between union and management, potentially destructive, with a partnership model, which identifies common objectives on both sides and targets mutual agreement, acceptable for both participants. This partnership represented a new principle of democracy, replacing disagreement with agreement. Consequently, we can speak of social partners who, for mutual understanding and acceptance of interests, lay down common objectives and engage in negotiations regarding how they can be achieved.

The partnership with the civic society has become a common problem amongst public institutions and non-government organizations activating in different areas of social life. Although the public-private partnership is increasingly being confirmed as a cost efficient solution for solving various types of problems that occur nationwide or locally, defining this term tends to be controversial in published literature. Nevertheless, a broadly accepted definition refers to any type of cooperation or initiative between at least two sides, with the purpose of achieving cooperation, where the partners clearly state their parts and responsibilities in organizing common interest activities for the society. "Authentic partnership involves, at least in theory, tight collaboration and combining specific advantages of the private sector (more efficient and more competitive) and the public sector (with responsibilities towards society and its finances)" (Lambru, 2004).

Thus, partnership can be defined as a contractual lawful bind, which exists between two entities considered to be the main associates in a business.

A more complex definition considers partnership to be formed of collaborative activities of interested groups, based on mutual acknowledgement of strengths and weaknesses of the two partners, who work together in order to meet commonly set goals, developed through efficient communication.

With regards to the public-private partnership, the contractual relationship is decided between a partner from the public sector and a partner from the private one. This agreement generally involves a central or local governmental institution which contracts a private partner in order to modernize, build, administrate, coordinate or manage a facility or system providing a public service. In this agreement the public agency or institution can keep its management, while the private side invests capital in order to form and develop the public system's abilities (Zamfir, Stanescu, coord., 2007).

Considering all these, a partnership takes place when there are common goals and it is initiated in order to implement objectives that have been agreed upon by all the parties; when there is agreement concerning the initial activities; actions are set based on the strengths of both sides; actions that lead to overcoming of weaknesses, which can require hiring consultancy and sharing knowledge and expertise (Yidan, 2000).

In general, in a community or area facing major social exclusion problems, such partnership is not formed spontaneously, as local actors do not possess in these cases the energy and abilities to mobilize and promote virtual partners. In most cases outer stimuli are needed to engage local energies. The start of such process requires negotiation in order to create a general consensus so as to implement a follow-up strategy or operational plan, with these being elaborated within the partnership. The partnership formed for a local development project meant to solve a certain social problem has the advantage of involving most economical, social, and political actors, also the causing factors of that social problem. For example, a corporation which, due to its activity, is a polluting factor can get involved, through partnership with environment protection public institutions and other actors from the community, in a project about social responsibility (*Ibidem*).

Internationally, a partnership takes place in a three-part dialogue system between social partners (private-syndicate-government, the latter having been lately replaced in the EU countries by NGOs, according to the European model). Such are the Economic Social Councils, which have appeared as a consequence of the 144/1976 Convention of the International Labour Organization regarding written consultancy, meant to promote international work regulations enforcement. In order to be able to eradicate, write and implement efficient policies, the government needs the support of important social groups, since community actors' willingness and stability facilitates policy elaboration, ensures their efficient enforcement and, finally generates substantial decrease of public resource consumption.

This is why the public-private partnership, viewed as a means developing new policies has lately seen an increase in Romania regarding various forms of public service. Developing various forms of public-private partnership has been possible due to a number of determining factors, both political and economic (Zamfir, Stanescu, coord., 2007). Among the most relevant determining factors are:

1. Community involvement in producing collective well-being and the impact of these changes on the social programmes
2. Applying the concept of citizen and social involvement, extremely important in the context of producing the status of social wellness
3. Implementing the concept of government reform in the context of public sector reform.

The ability of a public institution is defined not only by its inside organization, but also by how it is connected to society, whose issues must be dealt with through proper policies, oriented towards its welfare and involving all community actors. Contemporary Western tendency is ending governmental monopoly over social policies and guiding it towards the non-profit sector and towards local community.

However, for this, public institutions must give up monopoly over all social services, allowing local non-governmental organizations to take over some activities in the service of community needs. Central and local public administration releases a number of specific activities concerning social services management to non-governmental institutions through various types of contracts, from subsidies and grants to privatise some services. This strategy promotes the principle of local empowerment, which gives greater responsibilities to local collectivities, delegating authority and decreasing administrative centralization.

Governmental and public institutions' role is to regulate legislation, establish strategies, monitor their implementation, without directly interfering (law no. 233/2016 regarding public-private partnership- currently abolished; Emergency Ordinance No. 39/2018 from May 10th 2018 on public-private partnership). The government establishes the achievement criteria that must be met by those who will be providing the respective service. Furthermore, a number of responsibilities are released regarding funds for benefice granting. The financial resources will no longer be central, as they will be provided by local budgets; for this, it is absolutely necessary that this budget is balanced in such a manner that it can give citizens the benefits stated by law.

"The process of decentralization has opened more opportunities to promote a complex public-private partnership system that is wider within public administration, local collectivities, and NGOs" (Petrescu, 2007: 409). Promoting partnerships between the public administration and other social actors, including non-government organizations, for clarifying community issues, a collaboration which involves extremely complex and vast areas, oscillating between collaboration and pressure, has become an objective for the public institution. Non-governmental organizations are a mediator between the government and the people, placing decision making outside the narrow frame of the political elite, organizing a public

dialogue on the key topics of community development. Non-governmental organizations are characterized by a greater mobility regarding their method and course of action.

Their dynamics is relevant for the community's possibility to react fast to its own needs, catalysing resources which public administration does not have. Due to this self-organizing and managing ability, to the acquired professionalism, non-governmental organizations are significant human and intellectual resources, which can contribute to the creation of government policies in the most diverse areas. Those who initiate and develop such partnerships must be skilful administrators and managers. "The manager of the future is proving to be an active, intuitive, inventive leader, who is acting like a revitalizing motivating force" (Constantinescu, 2004: 202) for the collectivities or community which they look after.

## 2. Social contracting

The public administration reform, known as the New Public Management, which took place in the '80s in countries like the United States or the UK, brings about the idea of creating an 'entrepreneurial government' which would use its resources to maximize efficiency and productivity. An organizing financing reform was thus suggested, as well as assigning some responsibilities to private actors and public service privatization. Reinventing governing involves adopting solutions based on market mechanisms, but also restating government efficiency to them. In a globalizing world, with states whose national budgets are insufficient, and citizens' expectations are increasing, public issues cannot be handled by one single actor (Lambriu, Marginean, 2004).

Partnership is a type of connection between entities with common or compatible missions, and which have decided to work together for a specific purpose and for a given period of time. Collaboration, cooperation and team work, the base of any partnership, are considered successful strategies not only for governmental organizations, but also for public and private ones. Financers are aware of this and their initial conditions are availability of funds and forming partnerships. The latter is important not only for its effect of increasing organizational capacity, but also for its level of representativeness.

The public-private partnership, involving public institutions, the private sector, and the civil society, is internationally confirmed as a method of overcoming diverse social problems- medical care, education, social protection, human trafficking, corruption, etc. each actor's role within the public-private partnership in terms of providing social solutions is :

- *Public administration role*: correction of market failure ( when needs tend to increase due to market failure, government action is needed); during the transition period social services had to be diversified in order to address beneficiaries' needs; as NGOs could offer services to a small number of individuals, public authorities involvement was needed, and they financed

NGOs so that the respective services could be completed; providing help to the poor; setting and meeting service quality standards; achievement standards, necessary to ensure public service quality; cost control.

- *Private sector role*: improving service quality in order to retain clients; client relations improvement; management improvement; developing new services (Petrescu, 2007).

### **3. Methods of improving consulting mechanisms and decision making in the area of social services planning and financing**

Although in Romania public-private dialogue is still poor, especially with regards to planning, managing and financing social services, it is mandatory that we continue in order to diversify social services in agreement with population's increasing requirements, targeting system decentralization and forwarding social responsibility to local collectivities.

Given that in Romania the civil society is not greatly involved in decision making regarding community social needs, we must raise awareness amongst social service providers and certain beneficiary group representatives, regarding taking part in local decisions about using public funds in the social services department.

Also, investment in civic education involvement is useful, as well as training for planned involvement of members of non-profit organizations providing social services, or those representing groups of individuals liable to undergo marginalization and exclusion. Primarily urgent is nationwide initiation of involved assessment of social needs, in agreement with law no. 292/2011; within this need-assessment mechanism, both private (non-profit) social service providers, representing various professional categories involved in social and integrating services, and beneficiaries and potential beneficiaries must be real dialogue partners for public authorities in order to define investment priorities and develop local services. Thus, it is necessary to organize a public consulting session at least once a year as well as meetings with all social service providers within a community in order to periodically update local social service status. Moreover, during these meetings unaccredited providers can be invited. It is also necessary that non-governmental organizations be more involved in local committees and county councils for yearly social services budget planning.

Initial partnerships should be designed for long-term collaboration, should be based on partnership agreements or contracts and also have clear objectives with expected results allowing periodical assessment, while authorities should stimulate citizen involvement in decision making and public meetings. Non-government partnerships must be thought of as an attempt to improve community resources (with regards to expertise, the number of volunteers they bring, the number and quality of implemented services, etc.).

Non-government organizations must be willing to form central work groups, in order to speed up the process of clarifying and explanation of the existent legal frame, for the particular cases of social or integrated services.

With small towns and villages, there is a need for government financing of social services covering an option of minimum social services, which should be properly adjusted to local needs and intervention priorities decided upon locally. Furthermore, there is a great need for a specially designed financing plan from the government to local budgets; this mechanism is considered especially useful in small towns and villages. In addition, it is suggested that there is need for a greater availability of public funds financing, of personnel expenses financing from private funds. These are strictly correlated to service quality and thus they are expenses indispensable to the well- functioning of the service. Any cost reduction causes lack of service quality.

However, mainly using central budget funds in order to finance public services, as opposed to almost completely financing NGOs services through local budgets, is a dysfunctional mechanism which significantly affects the social services system. A valid solution may be a financing system specifically designed for local social services, which authorities could also use in case of externalizing the services.

As for financing certain service categories or activities, a number of measures could be considered, such as: introducing mandatory insurance; involving the National House of Health Insurance and the Ministry of Health in joint intersectoral responsibility, especially concerning care services for elderly, (neuro)psychiatric or physically affected individuals; involving the education system in joint intersectoral responsibility regarding child and youth care financing, especially in isolated, underdeveloped rural areas; a more substantial financing for prevention services in all beneficiaries categories.

Also needed are budgets for uninterrupted personnel training, available to both public and private services personnel. At the same time, social services provided by non-governmental non-profit organizations for inhabitants in a given town (thus relieving our state from substantial expenses) should be financed accordingly by the local budget (salaries for skilled personnel, food, and maintenance). With financing social services out of central or county public budgets, a direct system should be developed, especially for the rural area; in other words, providing safe financing for the rural area in order to avoid local funds embezzlement or misappropriation.

Regarding diversification of local social services, as currently their range is quite narrow, especially with the elderly and adults with disabilities, legislation does not create opportunities for social innovation (for example, there are only two types of home care services in Arges county), and, in general, the services provided by mobile professional teams, multidisciplinary mainly, are facing significant financial challenges.

An altogether different aspect is the need for a more judicious use of the infrastructure available to administrative-territorial units. An exact inventory of available locations would show that there are facilities where non-profit private structures could develop social services. However, this would require additional rehabilitation and upgrading expenses in order to meet mandatory minimal quality standards, and neither Town Halls nor non-government providers can afford these.

In Romania, the public-private dialogue is still very poor, with regards to planning, managing and financing local social services. Furthermore, an important number of non-government social services providers are facing financial instability and consequently impossibility to guarantee long-term quality service for their beneficiaries. A real growth of the social services cannot be done exclusively based on local council budgets, as it is currently required. Since these budgets are seriously affected by flawed tax collecting, and moreover by the on-going developing and diversification of social services, the available budget funds are utterly insufficient. Thus, an absolute priority would be adding new public budget systems for local services to the already existing ones.

## **Conclusions**

The main aspects to be considered with public-private sectors relationship are subjected to the institutional barriers (mainly legal), as well as to human resource training within public administration. We can safely state that in Romania this partnership is in an early stage, especially with common interest investments. How certain local authorities have dealt with public-private partnership responsibilities, either by creating an office, or by designating an employee within various departments of the Town Hall, proves that a unitary institutional approach for these types of projects is still missing. There is also reluctance from the public sector in using public-private partnership, as there are not clearly stated decision-making responsibilities within the Town Halls. Given that this is an early stage of partnership, public sector representatives tend to leave most of the risks to the private sector, which renders the collaboration less attractive. In order to gain trust in this type of projects, more examples of success would be necessary, in order to inform the beneficiary public about achieving project goals, together with identification of generating causes of existing problems and the means to overcome them. Another reason which has thus far led to private system reluctance to partner up with the public sector is finances. A project would involve substantial amounts, and the monetary constraints are caused by the low financial force of the private system on the one hand (mainly considering Romanian investors), and low financial risk coverage on the other. In this respect, there is the possibility of legal fiscal and administrative measures for private investors. Analysing and eliminating institutional barriers thus far encountered by initial projects, better communication between partners, as well as between service providers and beneficiaries, promoting successful projects, are only a few recommendations that could make public-private

partnership more attractive. The experience both sides have acquired will be useful in the future, and this partnership will be developing on a wide scale, not only in large communities (towns and cities), but also in small ones (villages) where he impact could be bigger.

A community always stands to gain if public-private projects are developed on its territory, and to its members' benefice. Financial, human, and material resources, when combined and efficiently used, can lead to community problems overcoming or alleviating. This partnership is the collaboration between public authority and the private sector, non-governmental organizations respectively, in order to implement a project with a positive impact on local development.

Thus, the public-private partnership can lead to faster implementation of planned investment program, as these can provide substantial additional finances, complementary to the traditional budget one, but there is also a possibility of sharing the risks with the private partner, of reducing costs throughout the entire project. Also useful is the possibility to share expertise in the most efficient manner, in order to thoroughly assess projects and optimize their span.

Public-private partnership introduces a new paradigm to ensuring social welfare and is a means to multiple ends: reducing public expenses, improving public service quality, improving public administration activity, increasing efficiency of policies. It stimulates political control, management freedom, and public administration transparency, the latter having to generate less expensive management, with qualitative services and efficient programmes.

In order to ensure an efficient partnership it is extremely important to improve partners' knowledge and ability to develop and commit to participating in whole processes targeting public policy improvement. Yet, public-private partnership currently requires public institutions management reform.

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