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**Effects of public-private collaborations  
for industrial development project**

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# **Effects of public-private collaborations for industrial development project<sup>1</sup>**

Motohiro Kurokawa<sup>2</sup>

## **1. Introduction**

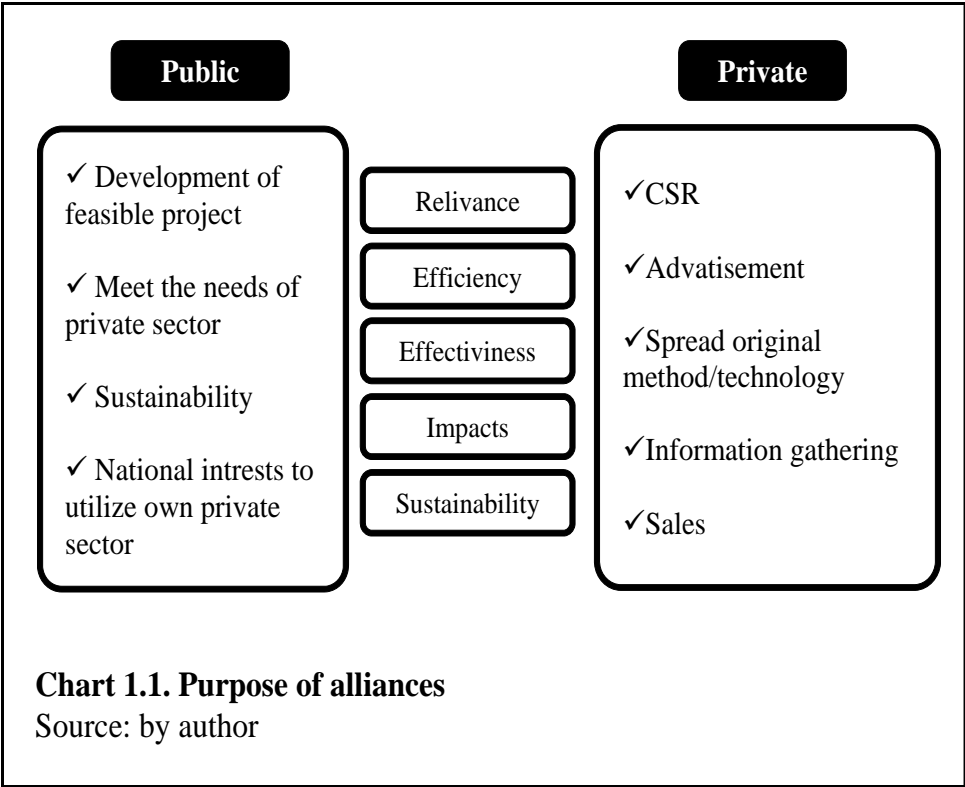
Improvement of development assistance project is always discussed in the area of international development and cooperation study, in recent two decades, collaboration with private sector is highly recommended as one of methodologies among international organizations and government agencies in developed countries, which efficiently brings about better outcome after the implementation of development projects by attracting strong points of both public and private sector. Additionally, it is expected to utilize monetary resource of private sector allocated to developing economy through the mechanism of collaboration, which could be provision against decreasing ODA budget in some country. On the other hand, private sector, especially businesses, is reconsidering their strategy on developing economies, building strategic combination with public sector has discussed to facilitate their business activities more efficiently. And they also have strong willingness to participate international cooperation, namely Corporate Social Responsibility (CSR) and Basement of Pyramid (BOP), Public-Private collaboration is becoming very familiar as a result of meeting both needs.

Shown in Chart 1.1., both public and private can find merits to collaborate in various aspects. In addition to find razing as above, public sector will be supplied knowledge from private sector to make project feasible in various aspects. Private sector can accomplish their purpose to participate international cooperation through CSR and BOP, but they can also enhance business merit through project. But, even though those two sectors would find incentive from beneficial points, basically, it must be functioned as development projects, outcome of collaboration should be reconfirmed to satisfy crucial points, and those are for example, relevance, efficiency, effectiveness, impacts and sustainability, in line with OECD Development Assistance Committee (DAC) 5 principles. So to speak, evaluation methods of collaboration should be fixed to emphasize effectiveness of this regime, which is one of issues tried to discuss in this study.

Origin of this types of collaboration is early 1990<sup>th</sup>, it has started as Private Finance Initiative (PFI), which is a scheme to depend on private sector finance for strong driving forth to conduct large scale projects like infrastructure. But after 2000, collaborative projects are

started to be called Public-Private Partnership (PPP) to cover widely spread definition, and USAID, one of agencies to accelerate this trend, named it as Public-Private Alliance (PPA) paralleling in the same period. In this study, such types of activities are defined as Public-Private Collaboration (PPC), although the increasing definition and common name of it are not concreted.

Considering such circumstance, it is useful to reconfirm related theory of PPC and to review some of good practices are also beneficial for farther project development. In this regard, this study aims to find merits of collaboration through theoretical discussion and case study. As cases for this study, two major industrial development projects by the Japanese government are selected, which were implemented in automotive industry of Thailand and that of Malaysia.



Thailand Automotive Human Resource Development Program (TAHRDP) was conducted from 2006 to 2011, as five-year plan, and resulted to incubate specific human resource for automotive industry, which has contributed to strengthen Thai automotive industry. To discuss the effect of this program, it was noteworthy that participatory assistance from private sector, such are Toyota, Honda, Denso and Nissan, were really functioned well in

various aspects, so it is an applicable project to judge the effect of PPC regime. Secondly, as far Malaysia-Japan Automotive Industry Cooperation (MAJAICO), which was also a five-year plan almost the same period, but project framework has not really formed PPC style comparing to TAHRDP. Several components of the project has not reached to outcome due to passive attitudes of private sectors, which should be comparatively analyzed with Thai case. But other components of project was really successful, the results come from stronger commitment from private sector.

This paper is consisted with 5 parts include this introduction, 2nd chapter tries to define Public-Private Collaboration (PPC), and 3rd chapter discusses evaluation method of PPC type project. Along with discussion of those two chapters, TAHRDP and MAJAICO will be reviewed in the 4th chapter and 5th chapter concludes this study.

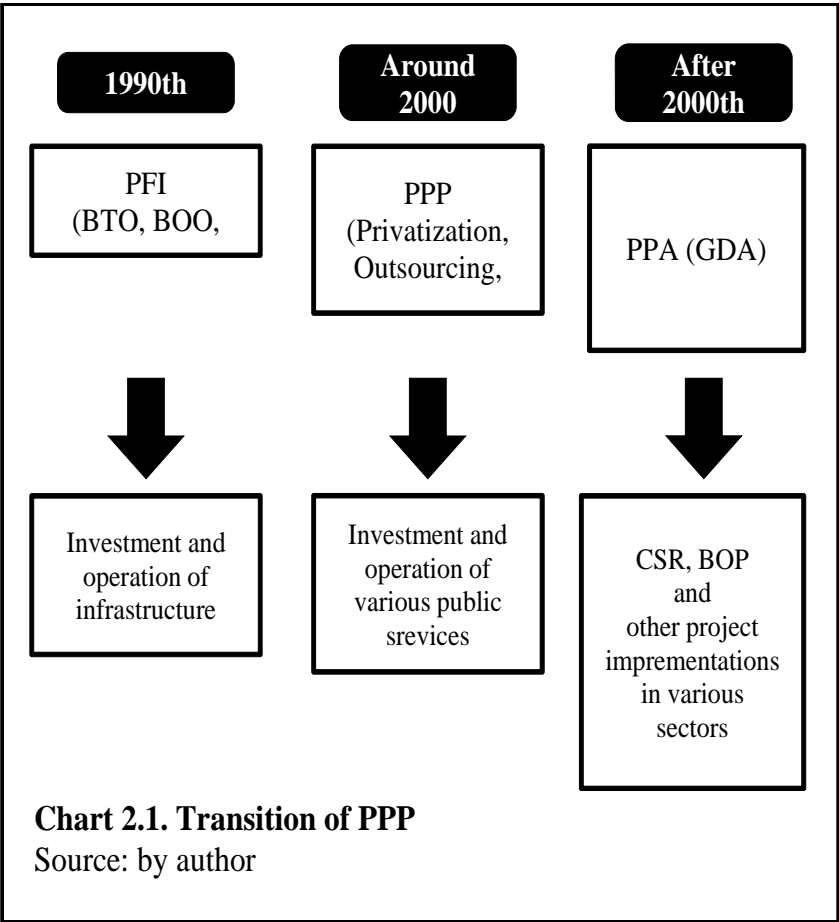
## **2. Definitions of PPC**

In this chapter, definition and shape of Public-Private Collaboration (PPC) is mainly discussed, which is changeable time after time and range to cover is widely spreading by models.

Chart 2.1. explains the change in definition of PPC in a short history in recent two decades, which has started from financial scheme namely Private Finance Initiative (PFI). In early 1990<sup>th</sup>, concept of PFI was developed to fulfill a shortage of development assistance budget through inducement of private investment, and enlarged budget as PFI was adopted to implement large scale project, such as social infrastructures. Since PFI is not only a methodology to collect investment from private sector, private sector was requested to be involved into implementation and operational process with outcomes, various types of PFI was invented at that period. Those are Build-Operate-Transfer (BOT), Build-Own Operate (BOO) and Build-Transfer-Operate (BTO). PFI is still thought to be a mainstream of PPC, which is feasible to conduct large scale and long term social infrastructure project, such are road construction, water supply or public facility.

In early 2000<sup>th</sup>, in addition to PFI, more commitment from private sectors were started to required, which was along with the downsizing role of public sectors and public finance. Not only in financing stage, private sector was expected to join implementation and operation stage, which is recognized as Public-Private Partnerships (PPP). Firstly, motions of PPP have shown in each domestic system of developed countries, in UK, Government owned, Contractor

Operated (GOCO) regime was developed, and privatization and outsourcing regime in US and other countries were accelerated to improve efficiency for project operation. After all, this thought has also started to be adopted when they assist public sector service in developing countries.



METI in Japan also kicked off arguments on Public-Private collaborations in the same period, based on the basic concept of “small government”, they have considered introducing PPP for accelerating privatization for public services. In the meantime, introduction of PPP for international development has not discussed yet in Japan<sup>3</sup>.

It was USAID an international development agency for US government, they have raised their attention to build partnerships with private sector after 2000th, under the framework of “Global Development Alliance” (GDA), they have been expanding the idea to Public-Private Alliance (PPA). Currently, sectors to make alliances are widely spread, those are, Agriculture, Democracy, Economic Growth and Trade, Education, Emergencies, Extractives, health, Microfinance & Microenterprise, Water and Workforce development, including most of crucial

development issues, number of alliances reached to over 1,000 cases with 3,000 private partners since 2001<sup>4</sup>. USAID (2006) discusses the importance of public-private alliances to increase effectiveness, efficiency is emphasized from the perspective of increasing share of FDI inflows to developing countries, which is more than 85%, and they have reconfirmed the change in roles of public sector when US access to developing economies. In recent years, PPA has been a mainstream of USAID when they implement projects.

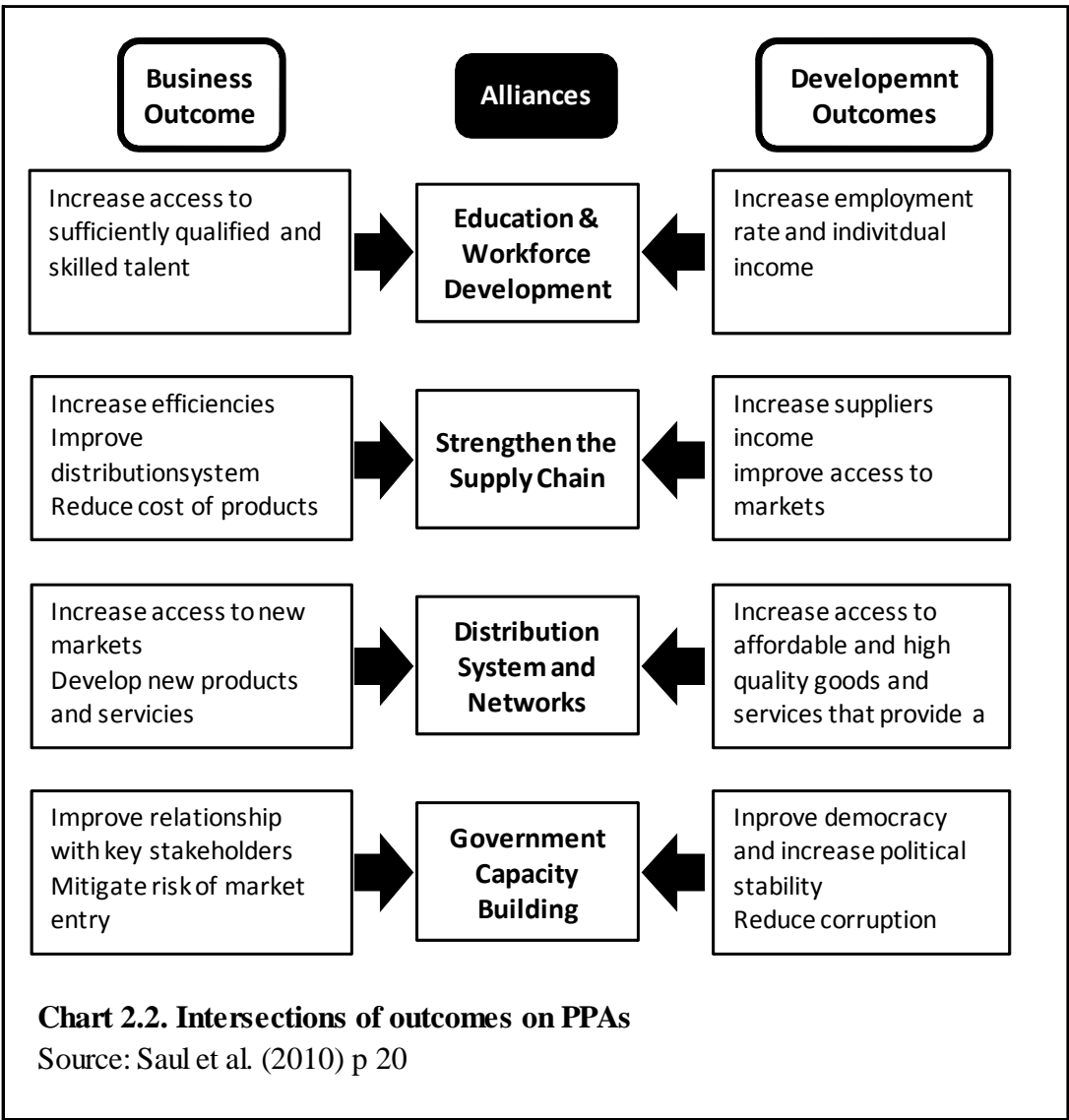


Chart 2.2. is expressing possibility of PPA in several purpose to alliance. In this explanation, private sector could be assumed as business enterprises, their outcomes are listed in the left row. Merits brought by each outcome will be separated into four parts, those are mostly equal to necessary conditions to make their business successful in developing countries.

Alliance in education & workforce development will provide human resource, strengthen the supply chain will improve quality and cost, distribution system and networks will increase sales and contribute to expand their market, government capacity building will improve invest environment. To accomplish those alliances, public sector can provide outcomes through development assistances, which are listed in the right hand, thus, the figure exactly explains legitimacy to introduce PPA model.

If businesses are selected as a partner from private sector, merits from each side could be summarized as above mentioned points, but USAID (2006) explains that their potential partner could be varied, those are<sup>5</sup>,

1. Businesses,
  2. Foundations and philanthropies,
  3. Faith-based groups
  4. Diaspora communities
  5. Nongovernmental organizations and civic groups
  6. Institutions of higher learning
  7. International organizations, such as the United Nations and the World Bank
  8. Development consulting firms
  9. U.S. cities and states, and other U.S. government agencies
  10. Governments of other industrial nations
- and
11. Host-country governments and state-owned enterprises.

So to speak, it should be noted that there are various kinds of ‘private’, including NGOs or International Organizations, style of alliances, outcome for partners and results of projects are changeable by the case, PPC is filled with possibility to cope with complex development issues. Some of listed partners originally have relationship with bilateral agency like USAID, the fact that USAID reconfirm them as a partners of PPA means that ways of doing development assistance is transforming in the period of GDA.

In response to this change in trend mainly driven by USAID, Nippon Keidanren (2008) is also indicating the importance of public-private collaboration under the serious situation caused by decreasing ODA, and suggesting change in key players in developing economies, they are mentioning that cooperation between public and private should be

accelerated as a new strategy<sup>6</sup>. Regarding ODA budget, it has increased until 1997 at the peak, which was 1168.7 billion yen, but 40% decrease in 2008 was confirmed, essential needs of new strategy for sufficient resource is explained. It is said that PPC can cope with the increasing needs to introduce high-end technology provided by Japanese private sector, it also meet the latest mainstream of developing society to take economic growth more crucial.

The report discussed that Japanese ODA has been holding characteristics like PPC, ODA provides infrastructure, and then, private investment comes later, such a “win-win” model is already formed as “Japan’s ODA mode” or “East Asian Miracle”. On the basis of such historical background, it is said that infrastructure development, PPP, policy advocacy, industrial human resource development, CSR, financing and IT are appropriate fields to conduct PPC.

### **3. Evaluation Methods of PPC projects**

In this chapter, evaluation methods for PPC project is mainly discussed, considering characteristics of PPC, modified design for evaluation should be adopted to know the impact of project. Like other fields, there are many arguments on evaluation method for PPC project. Because of existence of various stakeholders, different views and standing points are available among them, it is more complex to enhance consensus on common evaluation measure than doing that for typical development project.

Saul, et al. (2010) is emphasizing the importance of outcome based evaluation to measure the result of alliance. The paper firstly raised current problems why measuring alliances is hard, those are;

1. PPPs are complex,
2. PPP model was not historically value-oriented or data-driven,
3. Knowing what to measure is tough,
4. Existing measurement systems create accountability but do not capture value or inform Strategy,  
and
5. Traditional measurement is taxing.



Those criticisms are understandable if project has strong face of donation or CSR, it must be a tough role to ask private sector to conduct monitoring by data. For private sector, they only need accountability and results that could be descriptive. And budget used for CSR is not considered to bring them business impact directly, unlike their business activities, costs for it will not be strictly managed<sup>7</sup>. So, results of project would be made unclear, if private sector does not seeks for opportunity to return some benefit. It is also an important argument that evaluation framework and its procedure prepared by public side is not suitable for private sector. Even though, development agency will prepare evaluation and monitoring tool which they usually adopt, contents of those are different from typical management system for private sector, consequently, they are forced to make extra efforts to supply information for evaluation by cutting time and cost from project implementation.

<b>Table 3.1. Metrics for evaluation</b>	
<b>Process Metrics</b>	Number of weeks from concept to implementation Number of shared outcomes / metrics identified by partners in alliance MOU Leverage ratio (by public-private ratio on financial contribution)
<b>Incremental Value Metrics</b>	Effectiveness: incremental degree of market relevance in job training Scale: incremental number of people made aware Efficiency: reduction in cost per person treated Sustainability: % of initiatives that are market-driven Systemic Change: % of identified critical stakeholders/organizations/industries engaged in the initiative
<b>Contribution Metrics</b>	Number of people made job ready % change in income among households served % increase in employee retention

Source: Saul et al. (2010) pp. 11-13

As results, Saul, et al. (2010) recommend metrics shown in Table 3.1.. These

metrics are figured out along with current trend in evaluation methods, which is Results Based Management (RBM). RBM is a model consisted with 7 processes for project management and strongly demanding the rule to utilize performance indices, those are, output, outcome and impact, bilateral agencies and international organizations are also modifying their evaluation methods accordingly. Indicators shown in the table are quite relevant but considering data collection activities and opportunity to utilize data for monitoring and evaluation, some of them are difficult to figure out, there are some problems left before using this framework for actual evaluation.

By results of Dewar, et al. (2009), USAID was given evaluation framework for GDA, it is shown in Table 3.2.. This framework is meaningful in terms of covering whole processes of project. But those are lined up with rough items, precise part of evaluation could be changeable by project or by evaluator, and information is possibly given as descriptive data, which is not always useful for comparative analysis. This framework can be developed by adding several indices in vertical axis. Crucial findings from the survey would supply those indices, which will influence results of each items, and it can be adopted as independent valuables.

**Table 3.2. GDA evaluation framework**

<b>item</b>	<b>reference</b>	<b>project .....</b>
Core Alliance Goals	development/business	
Key Partners		
Target Populations	intended beneficiaries	
Primary Components	what is done ?	
Implementation Strategy	who and how	
Grants / Other Actions	what specifically done	
Short-Term Outcomes	1 year	
Intermediate Outcomes	2-3 years	
Long-term Outcomes	5+ years	
Sustainability Issues		

Source: Dewar et al. (2009) p 55

At the end of this chapter, newly revised guideline of JICA for project evaluation is discussed. Table 3.3. shows five types of evaluations by JICA and important elements of those are explained in line with DAC 5 principles. It is feasible that all evaluations conducted in different period do not have to cover all elements of 5 principles, especially for the Terminal evaluation, evaluator can concentrate on ‘Effectiveness’. This kind of information helps to improve feasibility of evaluation by enabling us to have limited scope for monitoring and evaluation, and quality of it could be improved too.

**Table 3.3. Types of Evaluations**

<b>DAC 5 principles</b>	Relevancy	Effectiveness	Efficiency	Impact	Sustainability
Ex-ante evaluation	○	○	○	○	○
Mid-term evaluation	○	○	○		
Terminal evaluation		○		○*	○*
Ex-post evaluation	○	○	○	○	○
Monitoring evaluation	na	na	na	na	na

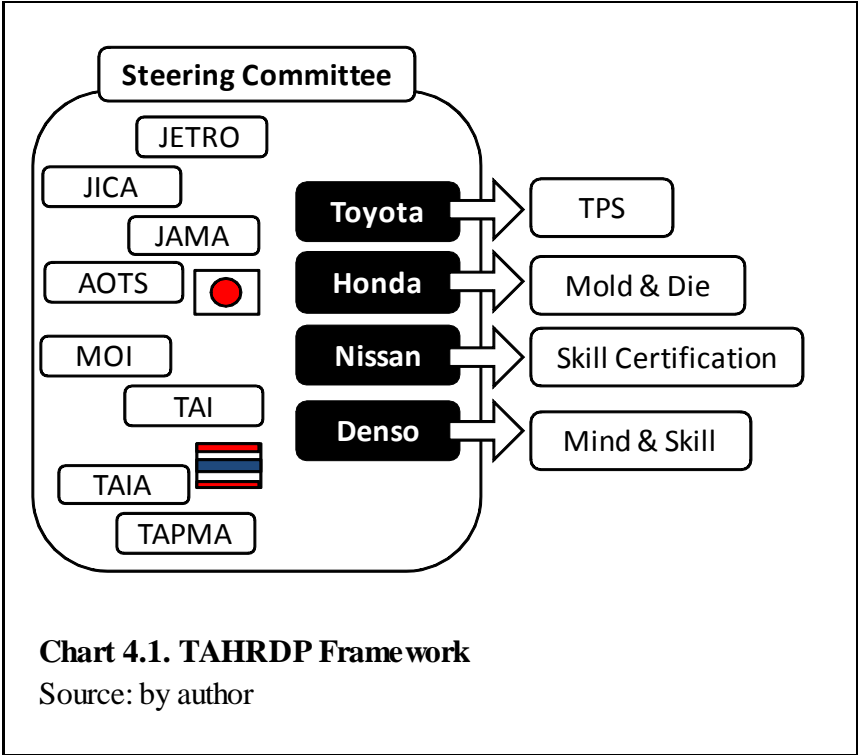
Source: JICA (2010) pp.19-20  
 \* does not necessarily actual base, but prediction

**4. Review of TAHRDP and MAJAICO projects**

In this chapter, two major projects to support automotive industry development in Thailand and Malaysia, those are TAHRDP (Thailand Automotive Human Resource Development Project) and MAJAICO (Malaysia-Japan Automotive Industry Cooperation). Through the introductions and discussions on characteristics of those, evaluation framework demonstrated in Table 3.2 are tried to adopt for demonstration.

As shown in Chart 4.1., TAHRDP introduced in Thailand is mainly formed with stronger commitment from private sectors. In addition to automotive industry related foundation and business association like JAMA (Japan Automotive Manufacturers Association),

3 major automotive producers, TOYOTA, HONDA and NISSAN, and 1 mega parts producer, DENSO participated to the project from the project planning process and all the implementation process was mainly driven by those companies in each program, which is a private dependent style, and it is quite feasible case to reconfirm effects of PPC project. Usually, development assistance project is mainly designed by development organizations, which means, public sector singly takes initiative for planning. But in case of TAHRDP, above four private companies have committed from planning stage and inputted knowledge on automotive industry. It has helped public sector to set up a feasible project. After planning, implementation will be assigned to development consultants or consulting companies, in TAHRDP, automotive assemblers, non-professional consultants, has taken responsibility and dispatched experts from their firms. In the meantime, during they have participated to “Steering Committee” and project was controlled under Public-Private regime<sup>8</sup>. This Committee is symbolic for TAHRDP to be PPC type project.



In case of TPS (Toyota Production System) program, Toyota was in charge of programming and implementing it for local parts producers. In this program, application was collected by company level even though it is a human resource development project, and TPS experts, who were incubated in the first stage of the program, have dispatched to participating

companies to introduce TPS system to their firms. The program has taken those companies as cases, employees have learned TPS through co-working activities with dispatched experts, that worked as in-house training. For trained experts, experiences to introducing TPS are good learning opportunity to improve their teaching skill. As results of the program, number of parts producers enhanced TPS are automatically increased and those could be thought to bring about positive impact to automotive industry, public sector could accomplish their purpose for industrial development. On the other hand, farther production activity of TOYOTA will be efficient by standardizing their production method among parts producers, thus, their cooperation to TAHRDP will be get returned in the long run. This is one of factors to give TOYOTA a strong incentive to keep the quality of program and effect of program could automatically increase. About long-term outcomes and sustainability, TOYOTA would make continuous effort even after the period of program, since follow up activities to parts producers are equal to maintenance their supplier system, such costs and efforts could be considered as supplier development activities which they usually do. According to the story of TPS program, those good results are emphasized by the framework in Chart 4.1., it is reasonable to evaluate PPC project with it.

**Table 4.1. Review of TPS**

<b>item</b>	<b>total</b>	<b>Business merits</b>	<b>commitment</b>	<b>Relations</b>
Core Alliance Goals	5	5	5	4
Key Partners	4	5	5	3
Target Populations	4	5	4	4
Primary Components	5	5	5	5
Implementation Strategy	4	5	5	3
Grants / Other Actions	3	3	3	3
Short-Term Outcomes	4	4	3	3
Intermediate Outcomes	4	5	5	3
Long-term Outcomes	4	4	5	3
Sustainability Issues	3	4	3	3

Source: by author

For trial evaluation, as in Table 4.1., TPS program is discussed in line with GDA

framework. It has already reconfirmed that the program will bring sufficient business merit, so this point is positively contributing to total evaluation. Accordingly, project has succeeded to enhance stronger commitment from TOYOTA, this point is higher than average. But in terms of relations between Private and Public, public sector was hard to control the project because implementation activity has not disclosed to them. Since TOYOTA has been transferring their hidden information, they decided not to inform everything, but situation allowed to increase effectiveness and quality of project contains.

As a second case of PPC project, MAJAICO in Malaysia as summarized in Table 4.2., is picked up to discuss evaluation framework. In MAJAICO, there are 10 programs to strengthen Malaysian automotive industries, in every program, there are collaboration occurred between public sector of Japan and that of Malaysia. But considering the fact that neither Malaysian nor Japanese private sector are not officially involved into organization, and all implementation agencies are public sectors in Japan, degree of PPC is completely lower than TAHRDP<sup>9</sup>.

**Table 4.2. MAJAICO framework**

<b>Code</b>	<b>Contents of Project</b>	<b>Counterpart</b>	<b>Implementation</b>
A1	Lean production	MAI (SME Corp)	JODC
A2	Mold & Die	SIRIM	JODC
A3	Accreditation system	MOT	METI
B	Skill training course	MOHR	JETRO
C	Skilled labor training in Japan	MOHR	AOTS
D	Testing center support	SIRIM	JICA
E	Business matching	MACPMA	JETRO
F1	Information exchange	MIDA	JAMA
F2	JV matching	MIDA	JAMA
F3	Promotion in Japan	MATRADE	JETRO

Source: from JETRO-KL document

In this case, smaller commitment by Japanese automotive producers are

understandable. Malaysian automotive industry is carefully protected by ISI policy of the government to support local auto producers, unlike in Thailand, development of industry is not easily bring about business impact for Japanese producers<sup>10</sup>. As a result, any automotive producers have not taken role as implementation agencies and contribution to technological supports were weakened by indirect approach to recipient. It is true that experts dispatched by public agencies have been making enormous effort to make program more effective, but those efforts are not supported by positive commitment of auto producers in private sector. This case explains the importance of attracting incentives to private sector for successful PPC, and future business merit is one of important keys to straighten and sustain industrial development project.

In Table 4.3., MAJAICO B tasked by NISSAN to upgrade local vocational school by developing training curriculum, is evaluated as a trial case. NISSAN has selected distinguished experts from their firm and retirements, and built good relation with JETRO, but comparing to Thai case, they were hard to seek for business merit form Malaysian project, which declined overall evaluation.

**Table 4.3. Review of MAJAICO B**

<b>item</b>	<b>total</b>	<b>Business merits</b>	<b>commitment</b>	<b>Relations</b>
Core Alliance Goals	4	3	5	5
Key Partners	4	4	5	3
Target Populations	4	3	4	4
Primary Components	4	4	5	4
Imprementation Stratgy	5	5	5	4
Grants / Other Actions	4	4	3	5
Short-Term Outcomes	3	3	3	4
Intermediate Outcomes	4	4	4	4
Long-term Outcomes	5	5	5	4
Sustainability Issues	5	4	5	5

Source: by author

## 5. Conclusion

In this paper, effects and merits of PPC type project were successfully explained and emphasized, related discussion proceeded to the point that how we should evaluate those PPC project. In USAID, they have already experienced plenty amount of cases of PPA in 2000s, tailor-made evaluation method for those has started to discuss.

Fortunately, we have similar projects in Malaysia and in Thailand, namely, TAHRDP and MAJAICO, those are automotive industry development projects, two results should be comparatively analyzed and method to evaluate PPC project could be usable to do so. Actually, by picking up two projects, both TAHRDP and MAJAICO were briefly reviewed by evaluation framework of GDA in this paper, found that it really accountable to judge both TAHRDP and MAJAICO.

In the meantime, this study will try to reconfirm evaluation method for PPC project and more precise evaluation will be demonstrated in the farther study.

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<sup>1</sup> This is a revised version of the paper presented in 1<sup>st</sup> International Workshop on Assistance for Developing Manufacturing Human Resources, Organized by Thammasat University, Bangkok March, 2011.

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<sup>3</sup> In the middle of 2000<sup>th</sup>, JICA has started to increase PPC project. And Ministry of Foreign Affairs has started to accept PPC proposal from private sector since 2010.

<sup>4</sup> [http://www.usaid.gov/our\\_work/global\\_partnerships/gda/](http://www.usaid.gov/our_work/global_partnerships/gda/)

<sup>5</sup> USAID (2006) pp. 26-27

<sup>6</sup> The report also explain that Japanese ODA has been originally a PPC style, like ODA settle infrastructure and FDI inflow later.

<sup>7</sup> In this aspect, combination with private CSR is possibly resulted to lower achievement, which requires farther discussion.

<sup>8</sup> As in Chart, Steering Committee was formed with four stakeholders, which are Japanese private and public, Thai private and public.

<sup>9</sup> In fact, through implementation agencies in public sector, private sectors were assigned to conduct activities, but they have not committed to planning and project management, the situation was different from TAHRDP.

<sup>10</sup> In Thai, around 90% of car production is dominated by Japanese assemblers.

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