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Public Private Partnerships in Economic Development

Measuring Success

One way of privatizing economic development efforts is through the use of public private partnerships. This type of partnership implies an advance agreement under which both parties stand to benefit. These partnerships can be used for public consumption to aid economic development program administration, marketing, operations, outreach, and direct business assistance, including assessment of regional economic strengths and weakness, business retention activities, and targeting industries for attraction. They can also be used for private investment for private real estate or infrastructure development and investment as well as public investment such as human capital investment activities, including job training programs and work force development initiatives (Saiz, pp. 415 44, 2008).

Public private partnerships (PPP) have no universal measure of success, thus it is difficult to measure. One report from the US Economic Development Administration[1] stated that "conceptually, we might think of considering a PPP 'successful' if it (a) increases the probability of a good economic development effort being successful and/or (b) it increases the net benefits to one or more of the partners, without decreasing that of anycosts in a partnership. Some particularly relevant characteristics that have emerged in successful PPPs are:

- Receptive and supportive public sector to a partnership approach
- Clear objective(s), with well defined, limited, and measurable objectives
- Clearly delineated (via fair negotiation) roles, responsibilities, and shared risks
- Active and meaningful participation of all partners
- Satisfactory accountability and openness with the public (Mullin, p. vi, 2002).

Still, as put by one expert on state and local economies in his review of the extant literature on the subject

> If we have learned anything about economic growth, it is certainly that it is the result of many market and collective forces acting simultaneously, which makes measurement of

[1] An organization within the US Department of Commerce

particular components, and hence identification and evaluation of marginal impacts, problematic (Mullin, 8, 2002).

Instances of Public Private Partnerships

Public service partnerships were created by legislatures with governors as chairpersons or co chairpersons in Florida, Indiana, Kansas, Michigan, Virginia, and Wyoming, with a "belief that a business like organization could respond faster than traditional state agencies to businesses and communities seeking economic development aid" (Rappa, p. 2, 2006).

Florida

Florida's non profit public private partnership Enterprise Florida, Inc. (EFI) was created by Florida's legislature in 1992 to replace its chamber of commerce. Its original goal was to promote high technology industry and jobs

Kansas

Kansas, Inc. was created by the Kansas legislature in 1986 as their main economic development resource headed by the governor. Its board consists of government officials and governor appointed members representing “business, labor, and universities” (Rappa, p. 6, 2006). The state provides 60 percent of the funding for Kansas, Inc., the other 40 percent comes from private sources. Kansas, Inc. has had problems filling the role it was assigned: “it has not ‘emerged as the strong coordinator and evaluator of economic development programs the statutes seem to envision,’ the Legislative Post Audit Committee concluded in 2001” (Rappa, p. 6, 2006). Reports indicate that Kansas, Inc. and Kansas’s two other economic development [illegible]

a team of experienced international professional service providers who assist the VALET companies with their international goals. Services providers such as attorneys, web designers, bankers, translators and freight forwarders contribute essential skills for expansion into international markets (http://www.ncppp.org/cases/vedp.shtml) (Rappa, pp. 9 10, 2006).

The average VALET company has $24.8 million in annual sales, 113 Virginia based employees, and 30 years in business. For every $1 in state funds in the VALET program, there is $3 in private sector funds. VEDP gives $10,000 in reimbursements for export related expenditures to each company. Each private sector professional service firm is contracted to provide up to $10,000 worth of pro bono services to the VALET companies. Virginia companies must meet minimum thresholds for years in business, annual sales, employees and commit to a $20,000 export budget (http://www.ncppp.org/cases/vedp.shtml) (Rappa, pp. 9 10, 2006).

Virginia benefits from the VALET programs because economic development funds are multiplied by the private sector professional service firms, exports are accelerated through the application of intensive resources, and private sector professional service firms

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Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in the report does not reflect the official policy of the University of Vermont.