

***NOTE: This is a condensed sample syllabus. Please revisit this link to a more expansive syllabus closer to the Spring 2013 semester.***

# SYLLABUS

HARVARD KENNEDY SCHOOL

## **Public Private Partnership Study Group Syllabus**

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### **OVERVIEW**

What makes a complex public policy problem eligible for a multi-stakeholder solution? An increasing number of solutions throughout the world employ the techniques and structures associated with public-private partnerships. We are interested in problems that do not lend themselves to more conventional solutions such as out-sourcing, privatization or more effective contract management. Problems may include issues with funding, inadequate human capital, or multiple organizational issues that obstruct clear methods of sharing resources, decisions, and risks. The parties to a solution may share powerful motivations to address a particular problem but may not agree on how it should be addressed, by whom, at what risk, and for what incentives.

Case studies and readings will be used to illustrate the wide spectrum of situations and challenges where a public-private partnership framework could be applied. The study group will aim to analyze the challenges public officials and their private sector colleagues' face, while building operationally effective and sustainable PPPs. The first part of the study group has been designed to help students appreciate the multiple challenges associated with PPPs and to identify successful strategies, tactics and skills that could be applied to different settings and asset classes.

Students will acquire a robust analytical framework for understanding public-private partnerships. Emphasis will be on stakeholder analysis, financial motivations, and skills-based and capacity-based considerations. Emphasis will be placed on risk management and on the private sector's role in the partnership's structure and mission. Within each case study, students will be asked to identify successes, failures, and missed opportunities for identifying points of intersection between public and private value to build sustainable and successful partnerships.

Discussions will revolve around some of the following key questions:

- How do public officials make strategic decisions to partner with the private sector?
- What motivates the private sector to participate as a partner?
- What are the issues associated with creating cross-border structures and managing partners with a global perspective?
- What are the choices public officials must make to successfully run a partnership?

The study group will also offer opportunities for students to gain practical experience while working with public-private partnerships, either by joining existing PPP projects or through initiating new proposals.

### **Public-Private Partnerships Theory and Practice**

The study group will cover several major areas where PPPs have been or should have been employed to address a complex public policy problem. Case studies will be used to illuminate the conflicts, trade-offs and decisions associated with environmental projects, infrastructure projects including transportation and water, global health care and economic development. The cases will cover a mix of US and international partnership examples and will focus on critical building blocks of successful partnerships such as negotiations, communications, performance measurement and risk management. An emphasis will be placed on facets that largely determine the success or failure of PPPs: strategy and mission, structure, finance, authority and resources.

The theories and concepts covered in the study group build on established theories and concepts in strategic public management and business management. Through the application of these theoretical techniques, we will be able to appreciate the challenges associated with navigating the intersection of public and private value. This should appeal strongly to students who are preparing for work in multi-sector environments and across borders.

As the study group progresses, we will take the skills and lessons learned and apply them to recent projects. We have selected several examples of that are characterized by significant challenges for their sponsors. In many of those the lack of detailed information, typically available in case studies, will stimulate real-life situations faced by sponsors engaged in building a PPP.

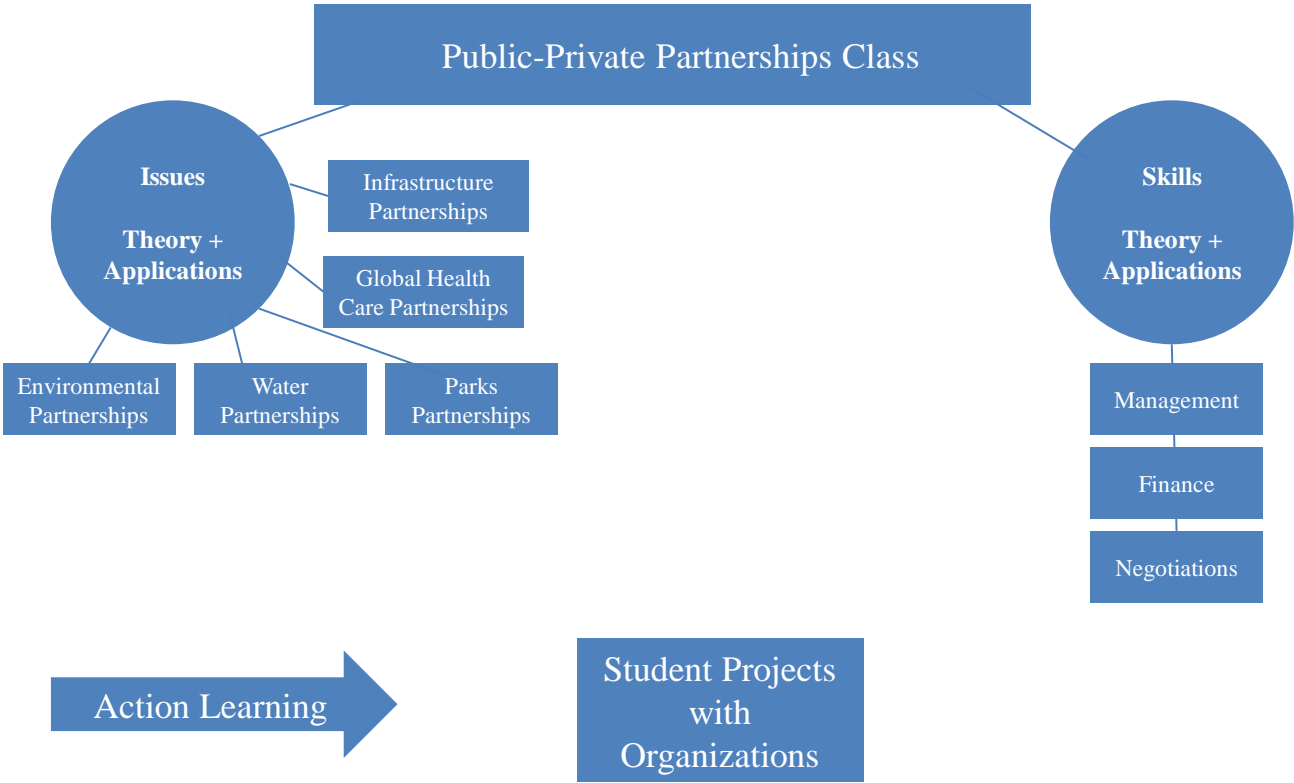
### **Reading Materials**

Reading materials consist of cases and on-line articles. The cases are available in study group reserve at the Harvard Kennedy School Library under the Public-Private Partnerships Study Group.

### **Appointments**

Office Hours are held in Professor Trager's office. Please email the professor directly for an appointment. Office hours could be used to discuss questions raised in the study group, or for general academic or career advising.

# DESIGN OF PUBLIC-PRIVATE PARTNERSHIPS



## Session 1

### **INTERSECTION OF PUBLIC AND PRIVATE VALUE; PARKS AND PARKING**

#### Study Questions:

- Under what conditions do the strategic triangles for creating public value and private value intersect?
- What types of issues motivate stakeholders (such as corporations, governments, interest groups, nonprofits, etc.) to focus on solutions to complex public policy problems?
- How do you account for the values created by partners from different sectors of the economy?
- What motivates the government to partner with other stakeholders?
- What was the role of creativity in improving public assets?
- How are responsibilities divided between the partners?

#### Readings:

Moore, Mark H. *Creating Public Value: Strategic Management in Government*. Cambridge, MA: Harvard University Press, 1995. Chapter 4 (pages 105-134), Chapter 5 (pages 135-139). Available at the HKS Library (*5 copies of the book should be available for 3-hour loans*)

Mitchell, Josh. "States Keep Axes Sharpened", *The Wall Street Journal*, March 2012  
[http://online.wsj.com/article/SB1000142405270230371730457727772048523702.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB1000142405270230371730457727772048523702.html?mod=googlenews_wsj)

Case: Donahue, John D. and Susan Rosegrant. Parks and Partnership in New York City (B), *KSG Case No 1744.0.*, pages 12-20 (Bryant Park Piece only)  
<http://ksgcase.harvard.edu/casetitle.asp?caseNo=1744.0>

Stern, Andrew. "Chicago leases parking meters for \$1.16 billion", *Reuters*, December 2008  
<http://www.reuters.com/article/2008/12/02/chicago-parking-meters-idUSN0227950220081202>

Olson, Scott. "Parking deal netting city more meter money", *Indianapolis Business Journal*, August 2011  
<http://www.ibj.com/parking-deal-netting-city-more-money/PARAMS/article/28958>

## Session 2

### **TRANSPORTATION AND INFRASTRUCTURE PARTNERSHIPS**

#### Study Questions:

- Was the Taiwan High-Speed Rail project structured as a PPP?
- How did the financing, technical and real estate issues contribute to the outcome?
- What were the skill sets, loyalties and conflicts associated with the main characters in the case?
- What does this case have in common with other transportation projects?
- What are the PPP structural issues to be evaluated in the India case?
- What should the goals be for this PPP project?
- Who are the partners and why are they needed?
- What are the partners' perspectives and motivations?
- Who controls the land? What is the role of public officials?
- What are the government policies to facilitate and regulate the process?
- How are the incentives and motivations different or similar in Taiwan and India?

#### Readings:

Case: Kelman, Steven. Taiwan's High-Speed Rail: A Public-Private Partnership Hits a Speed Bump. *HKS Case # HKS116-PDF-ENG*

<http://hbr.org/product/taiwan-s-high-speed-rail-a-public-private-partners/an/HKS116-PDF-ENG>

Anand, Geeta. "Indian Road Hits Unexpected Bumps." *Hot Kashmir*, September 8, 2010

<http://www.hotkashmir.com/hot-kashmir-news/hk-national/853-indian-road-hits-unexpected-bump-by-geeta-anand->

Yardley, Jim. "New Taj Mahal Highway Plan Makes Farmers Stake-Holders." *Jakarta Globe*, February 23, 2011

<http://www.thejakartaglobe.com/world/new-taj-mahal-highway-plan-makes-farmers-stake-holders/424604>

WSN Staff. "Politics delay inauguration of Yamuna Expressway." *WSN India*, January 14<sup>th</sup>, 2012

<http://www.newkerala.com/news/2011/worldnews-144652.html>

#### Optional Reading:

Taiwan High-Speed Rail Corporation: [http://www.thsrc.com.tw/en/about/ab\\_comp.asp](http://www.thsrc.com.tw/en/about/ab_comp.asp)

Public Policy Considerations in Public-Private Partnership (PPP) Arrangements. US Department of Transportation Federal Highway Administration. January 2009. Available at:

[http://www.fhwa.dot.gov/ipd/pdfs/2009\\_public\\_policy\\_considerations\\_ppp\\_arrangements.pdf](http://www.fhwa.dot.gov/ipd/pdfs/2009_public_policy_considerations_ppp_arrangements.pdf)

Taj Mahal Highway / Yamuna Expressway: <http://yamunaexpresswayauthority.com/>

### Session 3

#### **ENVIRONMENTAL DEFENSE PARTNERSHIPS: THE HYBRID ELECTRIC VEHICLE TRUCK AND EV PUBLIC INFRASTRUCTURE**

##### Study Questions:

- How do you seek a competitive advantage by embracing the environment?
- Will Eaton Corporation succeed beyond the partnership?
- What is the government's role in commercializing new technologies?
- What are the right market conditions for commercializing new technologies?
- Are there feasible business models for EV public charging infrastructure that can be supported by private sector investment without the benefit of public subsidies?
- Looking past the issue of government subsidies, how would EVs fit in an economic development strategy?
- How would large urban knowledge centers look at EVs as part of their competitive analysis of relative costs, environmental, transportation, research and education assets?

##### Readings:

Case: Trager, Alan M. and Barbara Mack. "Power Partnership: The Creation of a Hybrid Electric Delivery Truck - Eaton, Federal Express, and Environmental Defense." *KSGCase No. 1820.0*.  
<http://www.ksgcase.harvard.edu/casetitle.asp?caseNo=1820.0>

Wald, Mathew L. "After Initial Promise, Hybrid Trucks Stall," *New York Times*, April 27, 2008  
<http://www.nytimes.com/2008/04/27/automobiles/27TRUCK.html>

"FedEx Report Shows 15.1% Fleet Fuel Economy Improvement as of 2010", *Work Truck Magazine*, 26 July 2011  
<http://www.worktruckonline.com/Channel/Green-Fleet/News/Story/2011/07/FedEx-Report-Shows-15-1-Fleet-Fuel-Economy-Improvement-as-of-2010.aspx>

Lee H, and Lovellete G. "Will electric cars transform the U.S. vehicle market? An analysis of the key determinants." Discussion Paper #2011-08, Energy Technology Innovation Policy Discussion Paper Series, Harvard Kennedy School Belfer Center. President and Fellows of Harvard College, 2011.  
[http://belfercenter.ksg.harvard.edu/publication/21216/will\\_electric\\_cars\\_transform\\_the\\_us\\_vehicle\\_market.html](http://belfercenter.ksg.harvard.edu/publication/21216/will_electric_cars_transform_the_us_vehicle_market.html)

Deutch J and Moniz E. "Summary for Policy Makers." MIT Energy Initiative Symposium on the Electrification of the Transportation System. April 8, 2010 (pages 1-18)  
<http://web.mit.edu/mitei/docs/reports/electrification-transportation-system.pdf>

## Session 4

### **ELI LILLY PARTNERSHIP:**

#### **A GLOBAL HEALTH CARE DELIVERY CHALLENGE**

#### Study Questions:

- What public value was created and by whom?
- What are the motivations of the partners in this case?
- What could the Ministers of Health for each country do to make the partnership more effective?
- How can donors be more effective?
- Are there lessons from the Lilly partnership that may be applied to other global health care challenges?

#### Readings:

Case: Trager, Alan M. and Jessica-Droste Yagan. "The Eli Lilly MDTR-TB Partnership". *KSG Case 1871.0*.

<http://www.ksgcase.harvard.edu/casetitle.asp?caseNo=1871.0>

Eli Lilly MDR-TB China Management Plan, Prepared by the HKS Team

Note: report to be distributed via email before class

USAID. "World Health Day" *April 7, 2011*

<http://blog.usaid.gov/2011/04/world-health-day-combating-drug-resistant-tuberculosis/>

<http://blog.usaid.gov/tag/world-health-day/> (*skim through*)

## Session 5

### **WATER: INFRASTRUCTURE, INVESTMENT, FINANCE, AND MANAGEMENT**

#### Study Questions:

- What are the characteristics of water as an asset class?
- How do regional, country and political distinctions influence public and private investment analysis?
- What are the major sources of leverage to increase operational capacity and efficiency in water services? What are the risks?
- What are the major factors that impact the sustainable alignment of public and private value in water PPP structures?
- What types of issues motivate corporations to focus on alternative solutions to complex public policy problems?

#### Readings:

Case: Davis, Jennifer and [Sunil Tankha](#). "The Hyderabad Metropolitan Water Supply and Sewerage Board". *KSG Case 1828.0*.

<http://www.ksgcase.harvard.edu/casetitle.asp?caseNo=1828.0>

Sandler, Neal. "Israel: Waterworks for the World?", *Businessweek*, December 2005

[http://www.businessweek.com/technology/content/dec2005/tc20051230\\_495029.htm](http://www.businessweek.com/technology/content/dec2005/tc20051230_495029.htm)

Jehl, Douglas. "As Cities Move to Privatize Water, Atlanta Steps Back", *New York Times*, February 2010

<http://bit.ly/fROdQL>

Koller, Frank. "No silver bullet. Water privatization in Atlanta, Georgia – a cautionary tale", *CBS Radio*, February 2003

[stc.umsl.edu/essj/unit1/water\\_articles/No%20silver%20bullet.doc](http://stc.umsl.edu/essj/unit1/water_articles/No%20silver%20bullet.doc) (note: copy and paste the link into a webpage and a Word document will download automatically)

CERES Report: "Growing Water Scarcity in US is 'Hidden' Financial Risk for Investors Owning Utility Bonds"

<http://www.ceres.org/press/press-releases/new-report-growing-water-scarcity-in-us-is-hidden-financial-risk-for-investors-owning-utility-bonds>

China's PPP Workshop: "Chengdu No. 6 Water B Plant BOT Project, Sichuan, China"

<http://www.carecinstitute.org/uploads/events/2009/PPP-Workshop-PRC/PRC-Chengdu-Water-Treatment-Project.pdf>

Water Asset Management: <http://www.waterinv.com/>



Optional Readings:

McKinsey Report: "Charting Our Water Future"

[http://www.mckinsey.com/clientservice/water/charting\\_our\\_water\\_future.aspx](http://www.mckinsey.com/clientservice/water/charting_our_water_future.aspx)

## Session 6

### **TEXAS UTILITIES, KKR AND ENVIRONMENTAL DEFENSE & STUDENT PUBLIC-PRIVATE PARTNERSHIP PROPOSALS**

#### Study Questions:

- Who are the players here? Is this a natural partnership?
- How can the lessons learned from the Fedex case be applied to other environmental issues?
- Under what circumstances does the environmental issue enable a PPP to be economically viable?
- How would you characterize private equity firms as partners?
- What is the role of the government when the private sector initiates a partnership?
- How will each of the stakeholders be impacted by this transaction and what protections do you propose to guard against any potential negative impacts?

#### Readings:

KKR Media: "TXU to Set New Directions as Private Company: Public Benefits Include Price Cuts, Price Protection, Investments in Alternative Energy and Stronger Environmental Policies.", February 26, 2007.

[http://media.kkr.com/media/media\\_releasedetail.cfm?releaseid=333037](http://media.kkr.com/media/media_releasedetail.cfm?releaseid=333037)

Environmental Defense. "The Facts on the TXU Buyout." March 6, 2007.

<http://environmentaldefense.org/article.cfm?contentID=6027>

Sorkin, Andrew Ross. "A \$45 Billion Buyout Deal With Many Shades of Green." The New York Times, February 26, 2007. Available at

<http://query.nytimes.com/gst/fullpage.html?res=9907E2DE1E3EF935A15751C0A9619C8B63&pagewanted=1>

Maheshwari, Sapna and Mark Chediak. "TXU Bonds Tumble as Natural Gas Drop Imperils Biggest LBO: Credit Markets." *Bloomberg*, September 2, 2010

<http://www.bloomberg.com/news/2010-09-01/txu-bonds-tumble-as-natural-gas-drop-imperils-biggest-lbo-credit-markets.html>

"[Let's not forget our US\\$45B TXU nightmare.](#)" *Wellington Financial*, April 19, 2011

<http://www.wellingtonfund.com/blog/2011/04/19/lets-not-forget-our-us45b-txu-nightmare/#axzz1plyM5Lq4>

Childs, Mary and Julie Johnsson. "KKR's TXU Buyout Faces 91% Default Odds in Shale Boom: Corporate Finance", *Bloomberg*, January 2012

<http://www.bloomberg.com/news/2012-01-19/kkr-s-txu-buyout-facing-91-odds-of-default-corporate-finance.html>

Lattman, Peter. "A Record Buyout Turns Sour for Investors", *New York Times*, February 2012  
<http://dealbook.nytimes.com/2012/02/28/a-record-buyout-turns-sour-for-investors/>