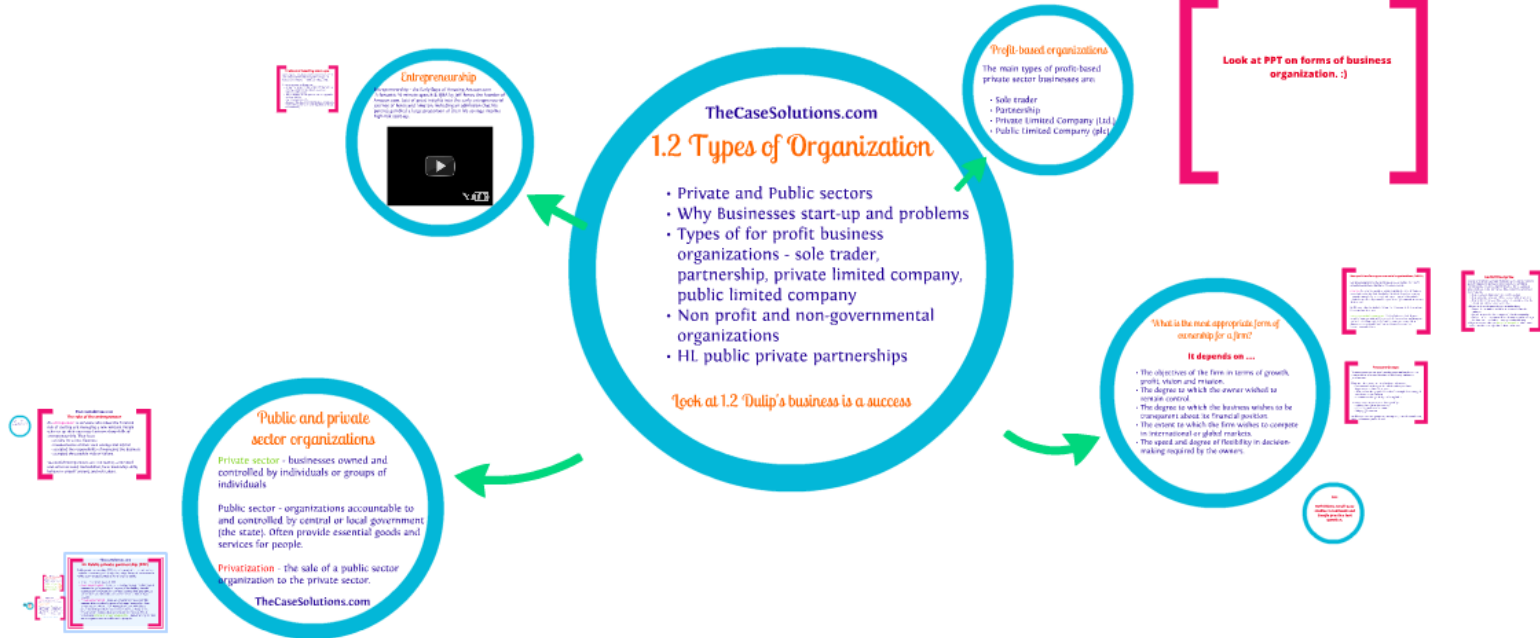


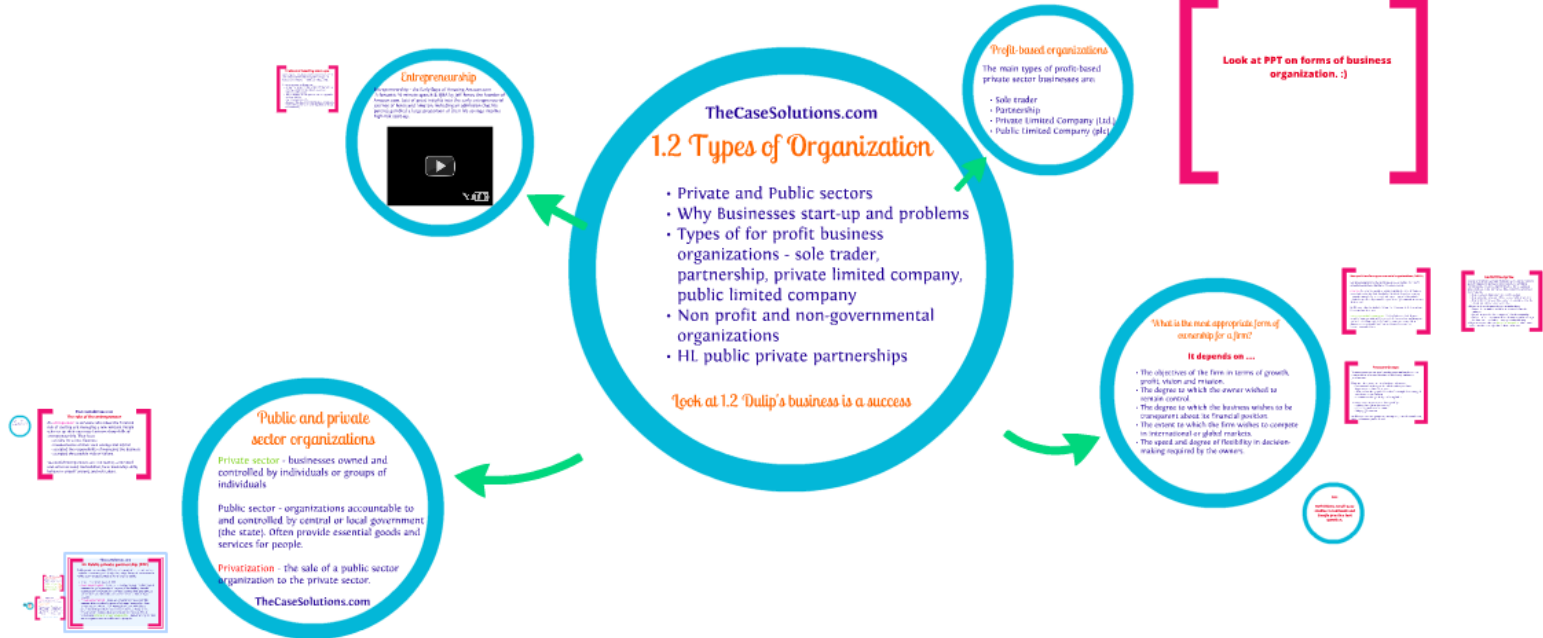
Wal-Mart Puerto Rico: Promoting Development Through a Public-Private Partnership

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1.2 Types of Organization

- Private and Public sectors
- Why Businesses start-up and problems
- Types of for profit business organizations - sole trader, partnership, private limited company, public limited company
- Non profit and non-governmental organizations
- HL public private partnerships

Look at 1.2 Dulip's business is a success

Profit-based organiza

The main types of profit-based private sector businesses are

- Sole trader
- Partnership
- Private Limited Company
- Public Limited Company

Public and private sector organizations

Private sector - businesses owned and controlled by individuals or groups of individuals

Public sector - organizations accountable to and controlled by central or local government (the state). Often provide essential goods and services for people.

Privatization - the sale of a public sector organization to the private sector.

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HL Relationships between organizations in the private and public sectors.

Traditionally, the public sector provides services to the general public rather than selling products for profit. Gov't have three options in the provision of essential services.

- Supply the services themselves (eg legal system and emergency services)
- let private firms bid to provide services (eg garbage collection, street cleaning and transportation)
- Form a public-private sector partnership to supply these services

Who should do what?

Private goods - should be provided by the private sector.

These goods are excludable - ie those that cannot afford to pay can go without. (cars, smartphones, cinemas, hair salons)

Public goods - are products that are enjoyed by the general public but are unlikely to be provided without government intervention. (national defense, public roads, lighthouses and street lighting). They are funded by gov't to benefit people.

Merit goods - These yield higher social benefits (education, public libraries, health care). these are provided by both public and private.

Public goods -

3 Characteristics:

- non-rivalry - available to all
- non-excludability - people cannot be excluded even if they do not pay.
- non-rejectable - public goods are for everyone.

HL Public-private partnership (PPP)

Public-private partnership (PPP) - involvement of the private sector, in the form of management expertise and/or financial investment, in public sector projects aimed at benefiting the public.

There are three main types of PPP:

- **Government funded** - these are privately managed. In this type of venture the gov't provides all or part of the funding but the organization is managed by a private business that uses private sector methods and techniques to control it as efficiently as possible.
- **Private sector funded** - these are government managed. This venture often involves large sums of capital investment from private sector. The are then managed and controlled by a government dept which pays rent or a leasing charge to the private sector business that constructed the project. This is known as a **Private Finance Initiative (PFI)** - investment by private sector organizations in public sector projects.

- Government directed but with private sector finance and management - this type of PPP encourages both private sector funding and some private sector management control of public projects.

Potential Costs and Benefits of PPP's:

Costs:

- Private sector is profit oriented. Could impact job security associated with gov't jobs.
- Criticized as earning private sector large profits from rent charges which comes out of taxpayers pocket.
- Private sector may lack experience needed to operate large public sector projects

Benefits:

- Many schools, roads, prisons have been financed by PPP/PFI schemes. These would not be possible without private investment.
- Private sector aim to make profit therefore operate services as efficiently as possible. Costs to public lower.
- By using private sector finance the gov't can claim taxes will be less.

Do: Public-Private Case Study - Waste.

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Public private partnerships can benefit from the dynamics, finance and efficiency of the private sector along with the benefits of public sector funding and support.

Examples of such projects are:

- *London's Olympic Stadium*
- *Sydney Harbour Tunnel*
- *New York's Central Park*
- *World Health Organization (WHO)*
- *Hong Kong Disneyland*

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The role of the entrepreneur

An **entrepreneur** is someone who takes the financial risk of starting and managing a new venture. People who set up their own new business show skills of entrepreneurship. They have:

- an idea for a new business
- invested some of their own savings and capital
- accepted the responsibility of managing the business
- accepted the possible risks of failure.

Successful Entrepreneurs are: innovative, committed and self-motivated, multi-skilled, have leadership skills, believe in oneself (vision), and risk takers.