

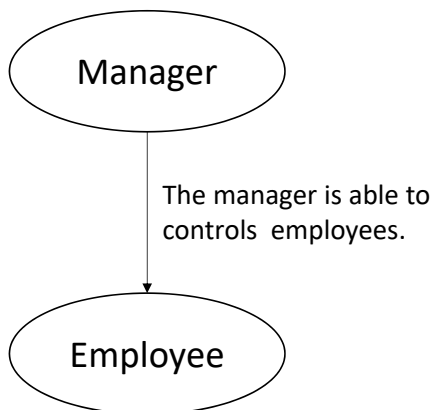
Public-Private Partnership for Disaster Resilience (PPP4DR)

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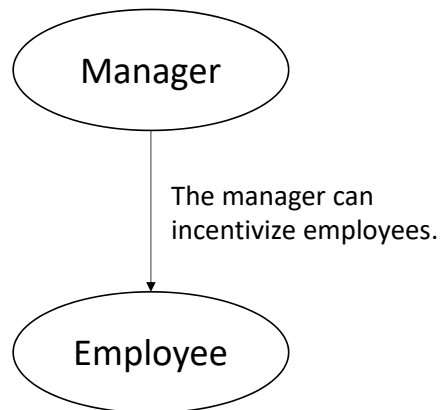
Difference between Management and Governance

Project Management



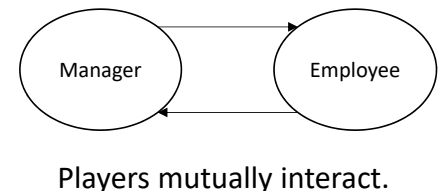
Principle of optimal control

Management of Projects



Principle of institutional design

Governance



Principle of equilibrium control

Institutional Mode of Governance

Institution as rule of game

Institution as equilibrium of game

Constraint/Rule

- Law
- Regulation
- Contract

North (1990)
Greif (1997) etc.

Cultural / Cognitive framework

- Language
- Custom
- Corporate Culture

Scott (2001)
DiMaggio-Powell (1991)

Isotani (2004)

Variety of Trade Governance Mechanism

Governance mechanism	Enforcement agent(s)	Endogenous rules of the game	Fitting domain characteristics
Personal trust	Trading partner (second party)	Termination of trade with dishonest trader	Repeated bilateral trade opportunities
Traders' norms	Traders' sharing communications network	Ostracization of dishonest traders from the community	Traders connected by communication networks
Clientage	Trading partner who has sunk relation-building costs	Termination of relationship against dishonest trader	Ex ante anonymity, ex post repeatable trade opportunities
Club norms	Traders who has sunk entry costs	Expulsion of dishonest trader from the "club"	Ex ante anonymity, ex post repeatable trade opportunities
Self-enforcing (employment) contracts	Traders in markets	Termination of contracts against dishonest traders and beliefs about its consequence	Actions and/or outcomes observable but unverifiable
Third-party information dissemination	Third parties (e.g., law merchants, escrow services, certified authorities, online auction sites)	Information dissemination regarding dishonest traders	Anonymous traders
Coercive enforcement by a third party	Third parties (e.g., political rulers, mafia)	Violent punishment of dishonest traders	Asymmetric distribution of coercive power; large gains from one-time dishonest trading
Moral codes	Self (first party)	Negative moral sentiments invoked by dishonest trading	Relatively homogeneous agents sharing customs
Rule of law	Courts	Rule-based punishment of dishonest trading	Anonymous traders, actions or outcomes verifiable, government monopoly of coercive power
Digital enforcement	Computer programs designed by trading agents	Delivery of goods only on the terms programmed to enforce	Trade of digital contents/services deliverable through cyberspace

Aoki (2001)

Framework Agreement – *Kyoutei* (1)

- **Target routes** – predetermined routes for road clearance works
- **The scope of work** – collecting the information of damage on target routes for road clearance, conducting works for eliminating obstacles and flatter bumps, and works as needed basis
- **The procedure** – the road administrator orders for contractor to carry out the work by document in principle. However, the order can be in oral if preparing document is difficult. The responsible route for each contractor is allocated in advance. If a contractor lose communications means with the governmental bodies, he or she shall start the work according to the predetermined allocation of responsible routes.

Framework Agreement – *Kyoutei* (2)

- **Preparation at ordinary time** – Ensuring the communication means and monitoring the available resources. It shall be reported to the governmental bodies every year.
- **Compensation** – It is impossible to state the actual price of work. Therefore it just mentions as ‘the work shall be compensated.’

Features and Enablers of *Kyoutei* (3)

- Framework is **not legally enforceable**.
- Framework intend to provide a focal point on how relevant stakeholders behave where strategic coordination is necessary, rather than to bind parties to a contract by authoritative power of court.
- Implicit trust enables to engage in a framework.
 - Contractors trust that public bodies shall **pay reasonably**.
 - Public bodies trust that contractors **will not hold up**.
 - Need for **self-enforcing contract**
- Uncertainty in the capacity that the private sector provides

Contractualization of Framework Agreement

- Difficulty in determining the specification of disaster responding works
- Capacity-based contract
 - eg. Capacity to get rid of *** volume of excavation per day
- Payment mechanism
 - Retainer and contingency fee system

Effect for Contractualization of Framework Agreement

- **Minimizing uncertainty** in responding capacity
Lack of estimate regarding the necessary responding capacity and no guarantee to effectively mobilize.
- **Incentivize the private** sector to enhance preparedness
- **Securing transparency** in nominating higher-performance private partners

Public-Private Partnerships for Disaster Resilience

- Urgent needs for the capacity and capability of private sector for disaster response and recovery.
- Criteria for good governance of PPP4D
 - Government-plan oriented
 - Business sustainability of private partners
 - Providing incentive for preparedness

**Thank you very much
for your kind attention.**

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