

# Chapter 1

## Considerations for a Model of Public–Private Sector Collaboration in the Provision of Disaster Relief: Incentives and Limits

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### ABSTRACT

*As disasters have grown more costly and have begun to impact greater numbers of people in recent years, there has been a call for greater cross-sector collaboration. In particular, the public sector has recognized that the private sector plays a crucial role throughout the disaster cycle, from preparedness to mitigation to response and recovery. Collaboration between the public and private sectors, however, has been difficult to achieve. This is in part due to a lack of basic shared understandings within and between the sectors. This chapter provides some definitional basics for the public and private sectors and then describes a simple framework for cross-sector collaboration that could be used to develop a full model for such collaboration as more research is done in the area.*

### INTRODUCTION

The term “public sector” refers to a wide variety of governmental actors at generally three levels of government – local, state and Federal. Within these three categories of governmental actors are a variety of agencies and departments with different mandates – from local fire departments to city and

regional planners to state emergency management and social services offices to the Federal Emergency Management Agency (FEMA), Housing and Urban Development (HUD) and the Department of Homeland Security (DHS). With such a broad cross-section of actors, “public sector” collaboration has its share of attendant challenges.

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The “private sector” too includes a broad cross-section of organizational actors. These actors include both the for-profit business sub-sector on the one hand and the nonprofit Nongovernmental Organization (NGO) sub-sector on the other. Within these sub-groups of the private sector are national, regional and local organizations, organizations motivated and defined by profit-seeking and those motivated and defined by allegiance to service-provision and donations. For NGOs, a religious affiliation or a presence in a particular location may limit activities, while in for-profit organizations fiduciary duties, securities reporting laws, and corporate formation documents may limit ability to act.

The simplest way to categorize organizations in each sector is in the negative – the public sector provides public goods while the private sector provides private goods. However, particularly in times of crisis, this rule quickly becomes overwhelmed by its exceptions.

We prefer a definition of sectors based on motivating factors. Under our definition, the public sector is motivated by the need and demand for political legitimacy – public sector organizations respond to political pressure to provide public goods and services to their constituents. The private for-profit sector is motivated, indeed often in corporate formation documents and by law, to seek out profits. The private nonprofit sector is, in turn, motivated by self-defined organizational goals, also limited by formation documents and legal restrictions, and accountability to donors.

Public-private “collaboration” in disaster response and recovery activities has become a buzzword, but it lacks substantial and cohesive definition. From the public sector’s perspective, collaboration means that the private sector will work with the public sector to meet the population’s needs – that is, the private sector will work with the public sector to provide public goods (goods traditionally provided by government). From the private sector’s perspective, collaboration means that the public sector will enable private sector

organizations to meet the missions defined in their own formation documents, namely the provision of goods in such a way as to meet their profit or donation missions.

In meetings with private sector (for-profit and nonprofit) leaders, they agree that the single most important goal of disaster preparedness and response is saving lives. Organizational charters, however, limit the degree to which private actors can provide public goods. State emergency managers in one state noted that the Incident Command System – a disaster management system employed by all local, state and Federal governments in the United States, in which, essentially organizations cede control of their operations to a single public sector “incident commander” or emergency manager – is open to any organization so long as they comply with the requirements. Corporate laws and legal fiduciary duties to shareholders and/or donors. They could be held liable for breach of these duties were they to participate in humanitarian relief work at any cost to the company or outside the scope of the charitable organization. These rules that are in place to protect shareholders end up placing limitations on corporate and even nonprofit relief efforts.

Further, the size and geographic location of private sector organizations also influences and limits their ability to collaborate with the public sector. Local businesses account for 75% of all businesses in the United States and half of all of the jobs. Following the edict that “all disasters are local”, local businesses may have the greatest incentive to collaborate with the public sector in disaster response and recovery operations, but they are also the most limited financially in doing so. While “mom and pop” grocery stores may open when the electricity is still off and the shelves are relatively empty, they have little power over their supply chains to encourage delivery of goods for restocking. While national corporations may be able to drive delivery of goods through the exertion of power on their suppliers, they have substantial liability and brand-dilution or damage concerns in

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