



Day 2 Session 6

What are Public Private Partnerships and What Advantages do They Offer?

Art Smith

Chairman, U.S. National Council for PPPs

Robert Tice Lalka

Public Private Partnerships Liaison, US State Department

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Agenda

- What is PPP?
- PPP Advantages
- When are PPPs Effective?
- PPP Delivery Methods



What is PPP?

- PPP is a method of service delivery that involves the private sector in the provision of traditionally “public” services
- PPPs emphasize the service or capability that the public sector requires rather than the assets used to provide them
- A type of performance-based contracting in which the private sector accepts a level of performance risk
- PPP arrangements are typically long-term in nature

What is PPP?

- A New Approach to Infrastructure Service Delivery
 - Maximise the value of private sector involvement in infrastructure service delivery
 - Co-ordinate infrastructure planning and provision
 - Develop market capacity
 - Educate the community
 - Shift mindsets regarding government's role in service delivery
- Key Characteristics
 - Private sector involvement
 - Focus on outputs
 - Optimal public-private sector risk allocation
 - Long-term contract
 - Whole of life approach to service delivery

Key Advantages of PPP

- The decision by government to pursue PPP delivery is often based on analysis to determine that the PPP approach will deliver value to the public through:

Lower Cost

Higher levels of service

Reduced Risk



Key Advantages of PPP

- Deliver value for money through synergies from combining private sector skills across the service delivery contract
- Creates long-term approach to provision of public services
- New facilities and services provided efficiently and effectively
- Innovation and spread of good practice
- Quality of service maintained over life of project
- Flexibility of approach to allow consideration for all types of infrastructure and services

Key Advantages of PPP

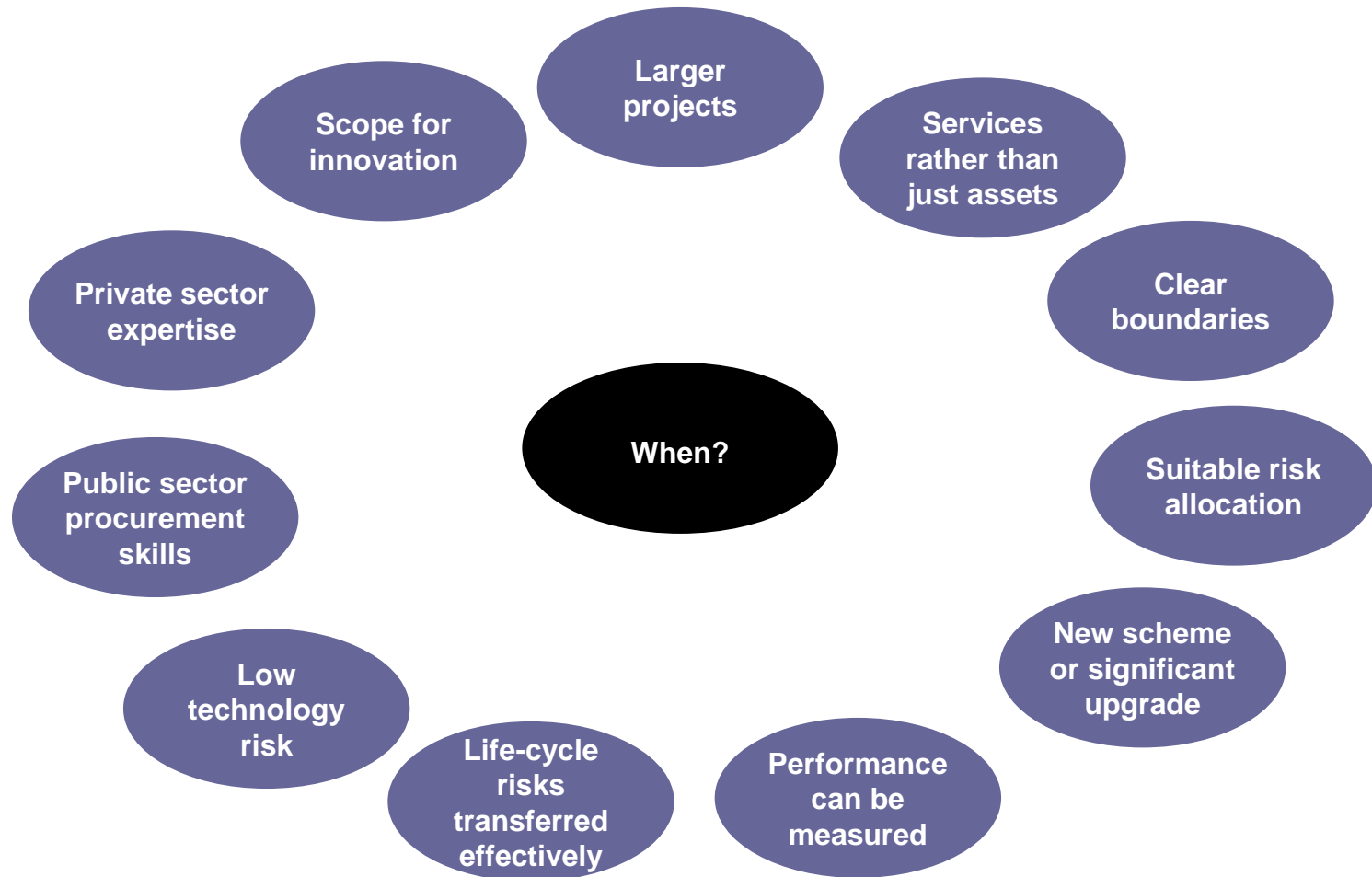
- Pricing and timing certainty
 - Only 24% of PPPs late vs 73% for Public projects
 - Only 22% of PPPs over budget vs 73% of public projects
 - These risks borne largely by private sector
- Improved Services
- Innovation
- Catalyst for Public Sector reform
 - Allows public sector to focus on key activities that are consistent with long term policy priorities



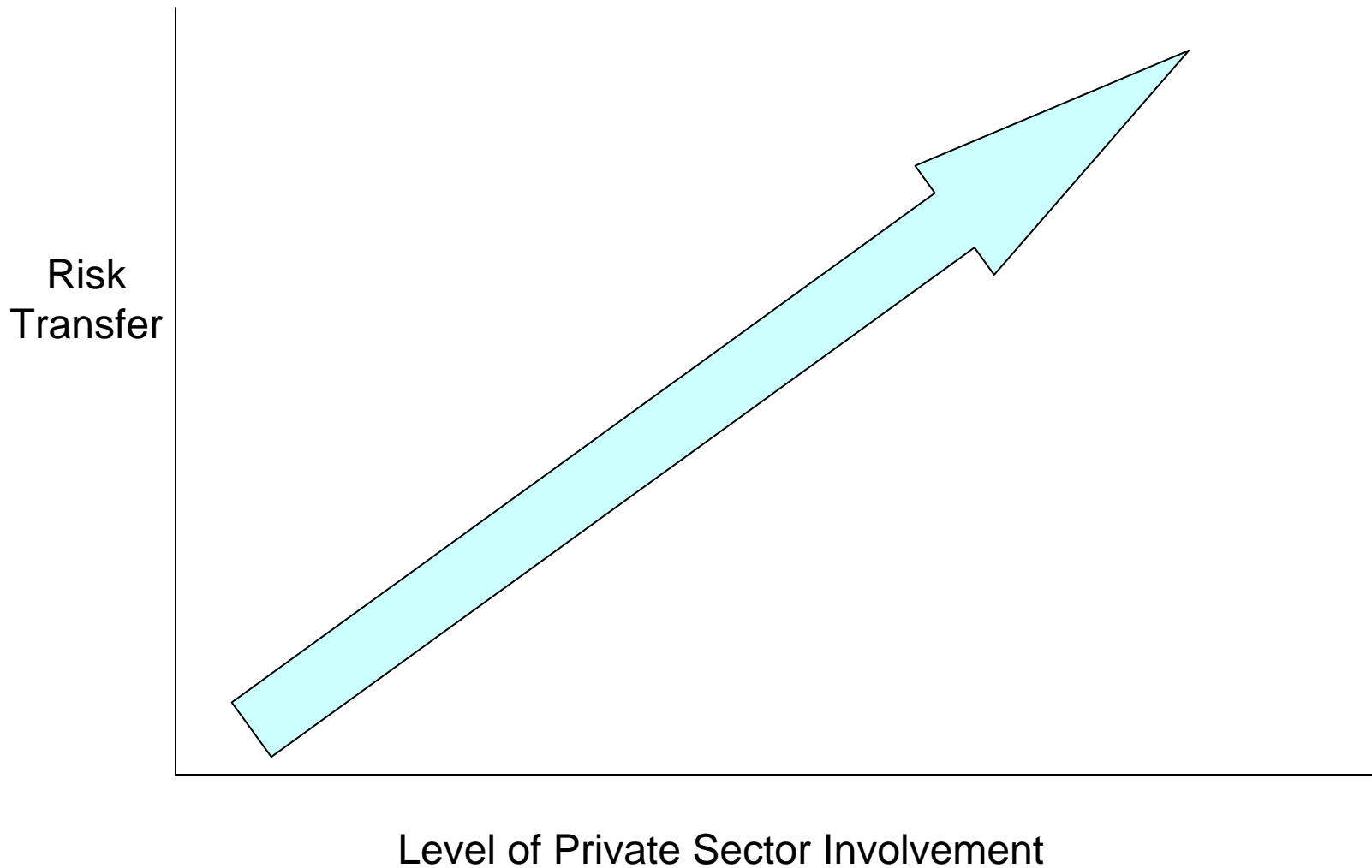
When are PPPs Effective?

- Effective enabling environment
- Properly resourced and committed Government team
- Effective procurement process
- Only used where it makes sense
- Effective management and allocation of risk
- Clear specification of outputs
- Project affordability
- Understanding that private sector needs to make an appropriate level of return
- Appropriate performance levels and incentives

When are PPPs Effective?



PPP Delivery Methods



PPP Delivery Methods

- PPP forms include:

- Operation and Maintenance Contract (O&M)
- Lease - Develop - Operate (LDO)
- Build - Own - Maintain (BOM)
- Design - Build - Finance - Maintain (DBFM)
- Build - Own - Operate - Transfer (BOOT)
- Build - Own - Operate (BOO)
- Design - Build - Finance - Operate (DBFO)

Summary

- PPP is a procurement method
- Value of PPP in delivering additional benefits to the public
- Advantages are realized by improved services, reduced costs and risks for government
- Can produce benefits when it is the most appropriate procurement method for a project
- Different PPP methods involve the private sector for different purposes