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Overview of the Reference Guide

Public-Private Partnerships Policy and Practice is a comprehensive reference manual on public-private partnership (PPP) theory and practice. It aims to be a practical and user-friendly handbook for senior policy-makers and other public sector officials in Commonwealth developing countries. The Reference Guide focuses on the key lessons learned – and emerging best practice – from successful and failed PPP transactions over the past 30 years (see Box 1.1 for a summary of the key lessons learned on best practice in infrastructure PPPs).

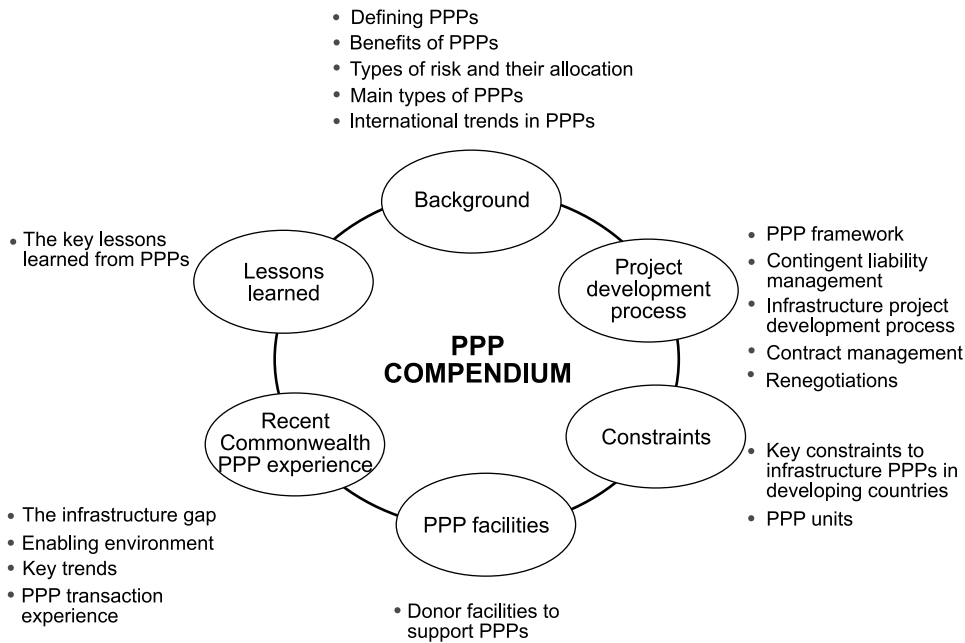


Figure 1.1. Overview of the PPP Reference Guide

The Reference Guide refrains from using the extensive ‘jargon’ on PPPs, but instead attempts to explain relevant concepts in terms suitable for the non-specialist. Key points are summarised at the beginning of each section and are useful for providing an overall high-level outline. References are provided throughout the text and at the end of each section which allow the reader to access further information on specific issues.

Box 1.1. Summary of key lessons learned on best practice on infrastructure PPPs

Lesson 1: PPPs should be designed with sustainability and value for money (VfM) considerations in mind.

- Robust feasibility analysis is essential for successful PPPs. Many projects have failed where governments and/or sponsors were over-optimistic about future revenues.
- Proper due diligence is required when selecting a private sector sponsor. Weak sponsors lacking relevant experience significantly increase the risk of project failure.
- Even in cases where private finance is available, a PPP approach may not be the optimal solution if sustainability and value for money cannot be assured. Particular attention needs to be paid to the affordability of user fees.

Lesson 2: PPPs should be viewed as long-term commercial relationships between the public and private sectors, not one-off procurement exercises.

- The public sector has an important ongoing role beyond the financing stage ('financial close') of a project to ensure that desired long-term outcomes are achieved.
- Establishing a flexible PPP framework helps establish the 'rules of the game' under which the public and private sectors can interact successfully over the lifetime of a contract.
- The public sector needs staff with appropriate business skills and experience in order to manage the relationship with the private sector effectively.

Lesson 3: PPPs are inherently complex, costly and time-consuming to develop properly. A rushed project often becomes a failed project.

- PPPs require high-level political support, especially during the project development stage to help overcome the typical obstacles that PPP projects encounter.
- It is important to manage political expectations about the time it takes to design and execute a PPP project properly (the project development phase from concept to financial close typically takes from three to four years).
- Expert legal, financial and technical advice is expensive, but essential to ensure proper project design. At the same time, governments should build in-house capacity to manage third-party advisers effectively.