

## *Table of Contents*

<b>Acronyms .....</b>	<b>9</b>
<b>Executive Summary .....</b>	<b>11</b>
<i>Chapter 1. Defining the Nature and Purpose of Public-Private Partnerships .....</i>	<b>15</b>
Notes .....	25
<i>Chapter 2. The Trend towards Public-Private Partnerships: What are Countries Doing? .....</i>	<b>27</b>
Notes .....	33
<i>Chapter 3. The Economics of Public-Private Partnerships: Is the PPP Route the Best Alternative? .....</i>	<b>35</b>
1. The criteria of affordability and value for money .....	36
1.1. Affordability and value for money .....	37
1.2. Affordability, limited budget allocations, and legally imposed budgetary limits.....	44
1.3. The role and nature of risk.....	47
1.4. The level of competition.....	56
1.5. The nature of the service .....	60
2. The public sector comparator (PSC) .....	69
2.1. <i>Ex ante</i> assessment and the public sector comparator .....	69
2.2. The public sector comparator and competition.....	78
3. Measuring performance.....	79
4. Evaluating the success of the public delivery of services, including those delivered through the PPP mechanism .....	82
Notes .....	84

<i>Chapter 4. Budget Scoring and Accounting Treatment of Public-Private Partnerships</i> .....	<b>89</b>
1. How public-private partnerships are budgeted and accounted for .....	92
1.1. Treatment of public-private partnerships in national budgets .....	96
1.2. Treatment of public-private partnerships in the national accounts ...	98
2. Disclosure of fiscal risks and recording of guarantees and contingent liabilities .....	100
3. Fiscal risk and guarantees.....	102
Notes .....	105
<i>Chapter 5. Managing the Creation of Public-Private Partnerships: The Role of PPP Units</i> .....	<b>107</b>
1. The rationale for a dedicated PPP unit .....	108
2. The need for expertise in PPP units.....	113
Note .....	115
<i>Chapter 6. Policy Framework and Procedural Tools</i> .....	<b>117</b>
1. Political support and engaging with all stakeholders .....	118
2. Corruption and ethical issues .....	121
3. Regulation and public-private partnerships.....	125
3.1. Transparency and clear access to information.....	125
3.2. The legal framework.....	127
3.3. Compliance and enforcement .....	128
Notes .....	129
<i>Chapter 7. Conclusion</i> .....	<b>131</b>
<b>Bibliography</b> .....	<b>135</b>

### List of tables

Table 2.1. Top ten countries with the largest public-private partnership/private finance initiative project finance deals, 2003 and 2004 .....	29
Table 2.2. The capital value of United Kingdom private finance initiative deals up to April 2007 .....	32
Table 3.1. Potential areas of negotiation.....	70
Table 3.2. Performance indicators used by selected governments to measure the performance of public-private partnerships.....	81

**List of boxes**

Box 1.1. Definitions of public-private partnerships .....	17
Box 1.2. Different permutations of public-private partnerships .....	22
Box 3.1. What practices do countries follow to ensure affordability? .....	42
Box 3.2. The classification of risks .....	54
Box 3.3. Financing and refinancing of public-private partnership projects .....	59
Box 3.4. Building flexibility into the United Kingdom private finance initiative (PFI) .....	68
Box 3.5. Financial checklist for the public sector comparator .....	73
Box 3.6. Efficiency gains and differences in public and private sector interest rates .....	77
Box 3.7. Water sector infrastructure indicators.....	83
Box 4.1. International Monetary Fund government finance statistics.....	93
Box 4.2. Treatment of regular procurement contracts, equity stakes, guarantees, build-and-deliver contracts, financial and operating leases, concessions, and the transfer of capital assets in national accounts.....	95
Box 4.3. Eurostat decision on public-private partnerships.....	100
Box 5.1. The PPP Knowledge Centre in the Netherlands .....	110
Box 5.2. Partnerships Victoria, a PPP unit in Victoria, Australia .....	111
Box 5.3. The public-private partnership unit in the South African National Treasury.....	112
Box 6.1. The United Kingdom worker protection framework: Transfer of Undertakings (Protection of Employment) (TUPE) and the fair deal .....	122
Box 6.2. Procurement procedures and their exposure to corruption .....	124
Box 7.1. Good practices in the public-private partnership process.....	133

**List of figures**

Figure 1.1. The spectrum of combinations of public and private participation, classified according to risk and mode of delivery .....	20
Figure 3.1. The typical flow of services, payments for services and funding .....	41
Figure 3.2. Principles of optimal risk transfer .....	50
Figure 3.3. Degrees of risk sharing by project type .....	51
Figure 3.4. The categorising of risk .....	53
Figure 3.5. The spectrum of methods to assess value for money .....	71
Figure 5.1. Institutional capacity to negotiate with stakeholders .....	114
Figure 6.1. The legal context of a public-private partnership project .....	127