

Regulatory frameworks for PPPs

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PPP=Public-Private Partnership

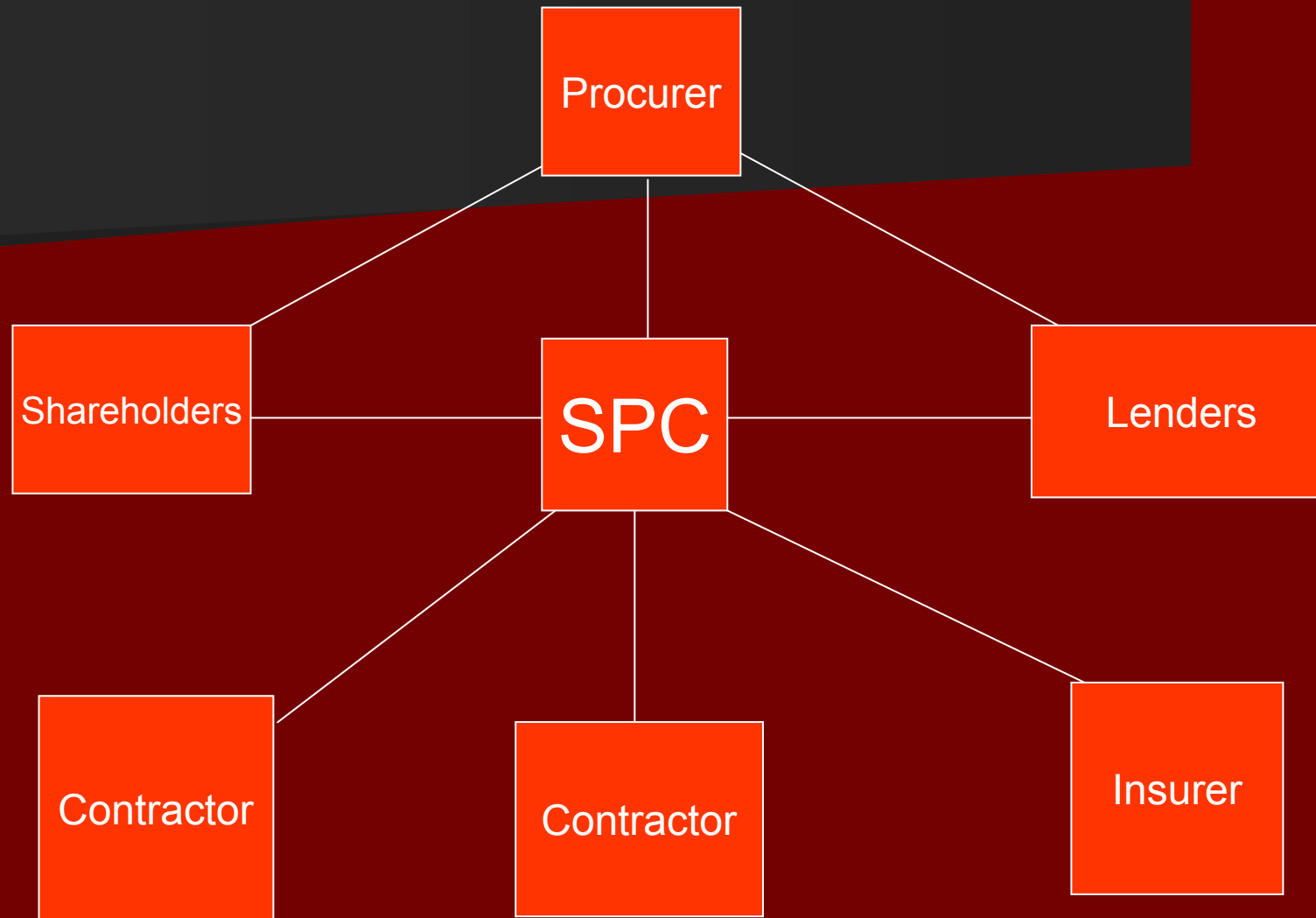
No agreed definition. Common characteristics:

- Private companies deliver contractible public services, i.e. *roads, railways, bridges, tunnels, ports, airports, traffic control systems, hospitals, schools, water & sanitation plants*;
- Long term contractual relationships;
- No public sector control of day-to-day management;
- Public procurer defines outputs to be attained;
- Payments to provider linked to performance over the contract life;
- Private provider responsible at each stage in the project (*funding, design, building, implementation, project operation and owning the assets*);
- Sharing of risk.

Comparison with other schemes

	No end-user payment.	End-user payment.
Public provider.	Tax-financed supply.	User charges.
Private provider.	Contracting out. PPP.	Privatised assets. PPP.

Organisation of PPP-project



Data

1994-2005.	Contracts with investment value \$260 billion around the world.
1994-2005.	46 % of global value in Europe 30 % of global contracts in UK 5 % in Portugal 5 % in Spain
High PPP Users.	Australia, Hong Kong, Canada, Ireland, Italy, Portugal, Spain, UK.
Medium PPP Users.	France, Germany, Greece, Hungary, Netherlands, Poland, Chile, South Africa.
PPP in UK.	15% of government's capital expenditure budget, 0,6 % of GDP (average 2000-2005). 700 deals worth £40 billion.

Efficiency arguments

- PPPs allow private sector financing
- PPPs make use of private sector skills
- Providers incentivised to optimise over project duration
- PPPs force partners to price risks

Successful regulatory framework

- Strong political commitment
- Fair treatment of bidders
- Clear priorities
- Competitive procurement
- Output-based contracts
- Performance-linked payments
- Optimal risk sharing
- Benchmarking ongoing projects
- Effective mechanisms for conflict resolution

Competitive procurement

- Clearly stated objectives
- Maximise competitive tension
- Keep competition until final stage
- Model prospective shadow private bid
- Keep option of unconditional bidders
- Make choice based on price and quality

Sharing of risk

PRIVATE SECTOR

- Construction risk
- Performance Risk
- Demand risk
- General political risk

PUBLIC SECTOR

- Project specific political risk
- Mis-specification of output by procuring authority

SHARED RISKS

- Force majeure
- Change of exchange regime
- Archeological discoveries

Additional elements

NATIONAL LEVEL

- Overhaul of legislation
- Knowledge unit
- Streamline policies
- Seniority to PPP-payments?
- Earmarking of revenues for PPP-payments?
- Project manager authority

PROJECT LEVEL

- Benchmarking
- Sharing of refinancing benefits
- Ongoing coordination
- Open book accounting

Best practice

Good procurement	Road M4, Finland Road M6 Erd, Hungary
Coherent risk sharing	High speed rail link, Belgium-Netherlands
Clear Policy Framework	Victoria, Australia www.partnerships.vic.gov.au
Knowledge Units	Partnerships UK, NAO, UK, PPP Knowledge Center, Netherlands.

End of presentation