

Joint meeting on Public-Private Partnerships – The Future of PPP use

Rabat, 20–21 May 2008

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No clear definition of PPPs

- Occupies a middle ground between traditional public procurement and privatisation
 - Distinguishing from other form of service provision depends on transfer of risk
- ‘Lack’ of statistics make international comparisons on PPP difficult



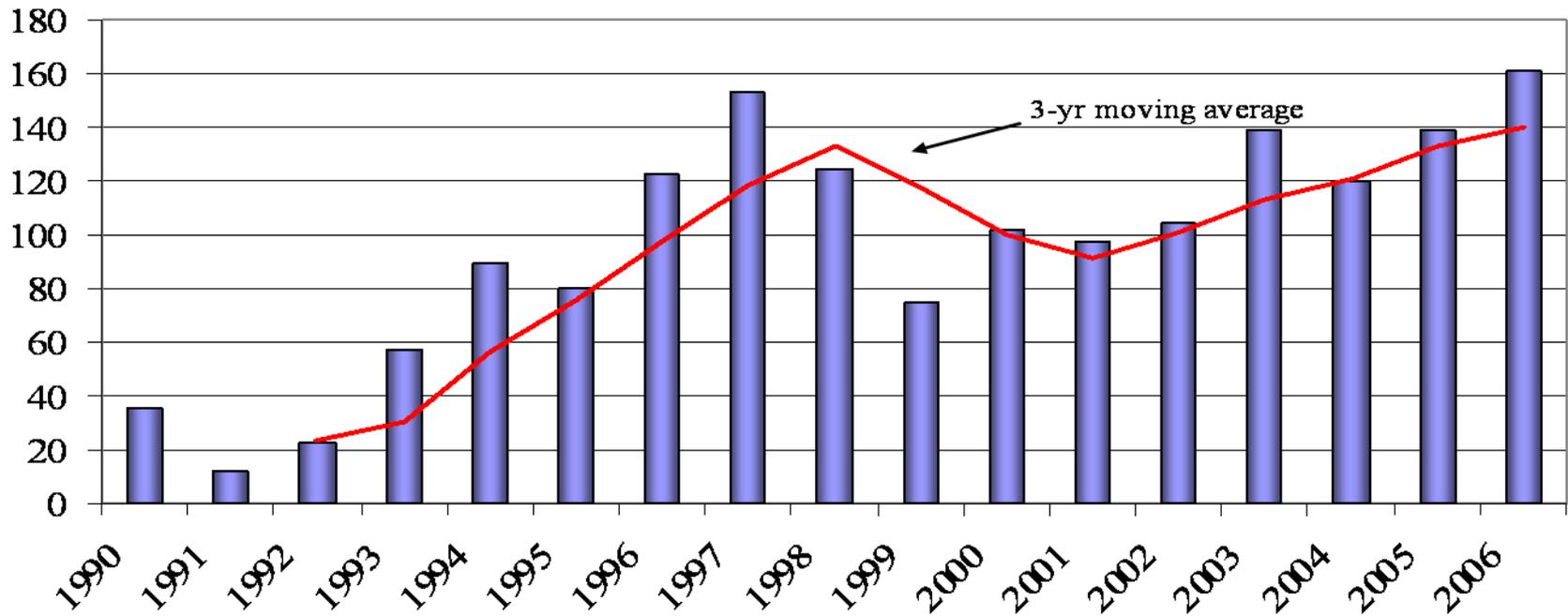
Why has PPPs become so popular?

- A tool to get around complex/regulated procurement or in-house production?
 - Do not lose focus on solving the original problem!
- Ideological?
 - A driving force to move as much as possible of formerly government provided services to the private sector
- Budget deficits?
 - Projects cannot be fitted within short-term budgetary constraints

Development of PPPs

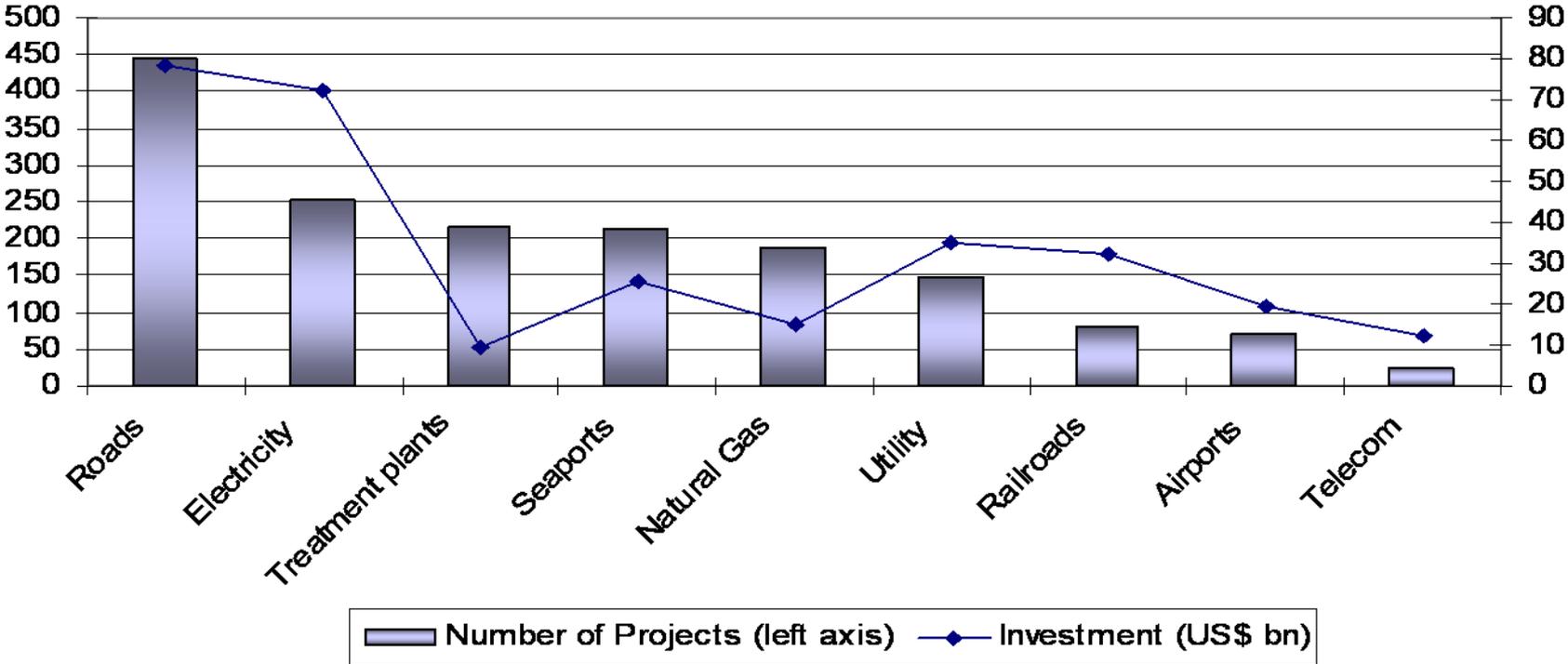
- Large and growing interest in many countries...
- ... and in many areas
- PPPs is not a 'new' phenomenon, but has increased significantly in recent years
- Still, PPPs represent a relatively small part of government investment expenditure
- Primarily in transport infrastructure, but also in other sectors

Projects per Year



Source: World Bank, private participation in infrastructure (PPI) database

PPPs by Sector (1990-2006)



Conditions for successful PPPs

- Focus on affordability and value for money...
- ... not to get around expenditure limits and fiscal rules by focusing on getting projects of the books
- Risk sharing fundamental for VfM!
- Transparency in accounting and reporting
 - Risk, liabilities and guarantees
- Regulatory and legal framework
- Institutional capacity
- Political and public support



Challenges

- Complex projects - be cautious and learn from others mistakes and successes
- How to measure and share risk
- Renegotiation
- Do PPPs for the right reason!
- Clear accounting and budget rules - how to account for PPPs and integrate them in the budget process



Final comments

- Government as financer, producer and provider
- Private sector participation can bring efficiency gains and VfM
- BUT, experience shows that many countries focus on budgeting issues
- UK 10–15% of total government investment
 - It is not the only solution to increase investment in infrastructure
- Why do many countries with fiscal surpluses in the general government sector say no to PPPs if they can bring all the gains that ‘is there’ ?