

MANAGING PPPs

**Historical evidence: an
interpretation of the UK experience**

DATA USED

- **Govt. Actions to manage PPPs**
- **Govt. Analysis and Thinking on PPPs**
- **Govt. Decisions on resources allocated to managing PPPs**

PPPs Promises

- Competition leads to efficiency and effectiveness
- Partnership leads to using private dynamism and innovation for public ends
- Risks shared with or transferred to private investors
- **HENCE: simplicity, lower costs and automaticity of regulation and adaptation**

Observed Actions in Managing PPPs

- **START:** short general guidelines and small central support unit
- **NOW:**
 - Thousands of pages, repeatedly modified
 - Specific rules by project type, level of government, sector, timing
 - Specialized units in each ministry

WHY? (1)

Neglected realities

Transaction costs

Costs of risks transfer

Interests of parties **DO** differ

WHY (2)

Hard facts impervious to PPP techniques

- **Planning for 30 years (ex. hospital)**
- **Risk assessment, pricing and sharing**
- **Political and fiscal risks**
- **Rapid innovation and long contracts (ex. IT)**

Worth the efforts and resources?

- **Fact 1:** solid resources used in evaluating PPPS and its uses
- **Fact 2:** evaluations used to improve all aspects of PPPs

BUT...

Jury is still out on net advantages of PPPs

BECAUSE....

- Weak benchmarking
- Long term and lousy outcome indicators
- Focus has moved away from « problems to solve » toward « how to improve PPPs »

Factual conclusions from observed actions

- Promised simplicity and automaticity: OUT
- High quality and level of resources needed (people, money, organizations)
- Possible drift away from efficiency and effectiveness: making PPPs work better vs. doing something else

CONCLUSIONS

- PPPs very difficult to use effectively
- Limited (sectors?) applicability
- Risks remain beyond managing them (fiscal, integrity)

HENCE

- *Carefully test water before plunging*
- *Look at specific problems to tackle AND consider alternatives to PPPs*