

From lessons to principles on governance of PPPs

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Ian Hawkesworth

Budgeting and Public Expenditures Division,
Public Governance and Territorial
Development, OECD

Agenda

- Why PPP principles
- What are the main PPP challenges
- Selected data on challenges
- The draft principles
- Next steps

Why PPP Principles

- A wish by some countries and actors
- A growing stock of PPPs
- General challenges across OECD countries
- A way to harness the lessons of this network
- A need for focus on the governance aspects of PPPs
- A need for principles that are sufficiently applicable to add value to member countries

The main PPP challenges

To do it right ...

- How to assess value for money – quantitative and qualitative aspects
- How to make sure only VfM is the driver
- How to allocate and cost risk
- How to integrate PPPs into the budget process thus ensuring affordability, future flexibility
- How to ensure transparency in accounting and limit off budget temptations
- How to set up capacity enhancing units
- How to write contracts

Challenges: Institutional bias?

- a) The rules in place impede attaining the maximum value for money by creating incentives to prefer traditional infrastructure procurement over PPPs?
- b) The rules in place impede attaining the maximum value for money by creating incentives to prefer PPPs over traditional infrastructure procurement?

Table 4 - Do you think that the rules in place impede attaining the maximum value for money by creating incentives to prefer:

	TIP over PPPs?	PPPs over TIP?
Yes, to a large extent	2	0
Yes, to some extent	5	1
No	9	15
Not enough data to make assessment	4	4
Total	20	20

Challenges: Role of PPP unit, accounting

Table 20 - Does the PPP unit have a formal, gate-keeping role with respect to the approval of specific projects (even when these projects fall within the existing approved budget envelope of the line ministry responsible) in the case of PPPs and TIPs?

Yes, for all	6
Yes, for those above a threshold	1
Yes, on an ad hoc basis	1
No	7
Other	1
Not answered by those who answered 'no' to question reported in Table 8	4
Total	20

A) ACCOUNTING ISSUES

Table 25 - Have accounting mechanisms been put in place that formally account for the contingent liabilities and costs generated by PPP projects

Yes	13
No	7
Total	20

Challenges – off balance sheet

- **Does the following make PPP more attractive in comparison to TIP?**

	The project generates debt that is not on the balance sheet of government
Yes	5
No	9
Sometimes	4
Not answered	3
Total	21

Coverage of draft PPP governance principles

19 principles covering:

- Political framework preconditions
- The approval and management process
- Institutional capacity and framework issues
- Economic and Business Preconditions

Political framework preconditions

1. The political leadership must actively decide to use PPPs
2. Effectively identify priority projects from a whole of government perspective
3. Consider the interaction between the PPP and other government policy tools
4. Allow sub-national governments to use PPPs prudently

The approval and management process

5. Make sure the project is affordable, regardless of procurement method, by using the regular budget process
6. Limit any institutional bias by integrating traditional infrastructure procurement with PPP procurement
7. Adjust for optimism bias
8. Involve the user in the design and monitoring of PPPs to increase VFM
9. Transfer the risks to those that manage them best
10. Map out a response to project failure
11. Secure value for money with input from a prudent Public Sector Comparator

Institutional capacity and framework issues

- 12. A PPP Unit can help secure public sector capacity at all levels of government to assess value for money, conduct negotiations, write comprehensive contracts, monitor delivery, and take action if things go wrong
- 13. Address special risks associated with IT and E-government PPP projects
- 14. Ensure transparency in budgets, reports, and accounts about all relevant information – payments, guarantees and contingent liabilities
- 15. Set up a clear, transparent and predictable legal framework for PPPs
- 16. Develop rules that enhance integrity and prevent

Economic and Business Preconditions

- 17. Competitive markets are necessary to ensure risk transfer and value for money
- 18. Regulators of sectors serviced by PPPs should have sufficient powers and independence
- 19. Red tape costs money –create a clear procurement process

Next steps

- **Your comments and input**
- Working party of Senior Budget Officials
- Public Governance Committee
- Other stakeholders' input
- Further refinement of principles
- Endorsement by OECD Council
- Case study handbook?
- Other uses?

Next steps

March	<ul style="list-style-type: none">● Draft principles circulated to delegates to PPP Network meeting, World Bank, IMF, EIB, TUAC, BIAC
24-25 March	<ul style="list-style-type: none">● Annual PPP meeting discusses draft
11 April	<ul style="list-style-type: none">● Deadline for receipt of PPP network member comments regarding PPP principles draft
6-7 June	<ul style="list-style-type: none">● Draft principles presented to Annual meeting of Senior Budget Officials
Fall 2011	<ul style="list-style-type: none">● Draft principles presented to other relevant OECD GOV working parties and committees
Spring 2012	<ul style="list-style-type: none">● Draft principles presented to Council

Thank you!