EVALUATIONS OF PPP'S – PRELIMINARY ASSESSMENTS

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Presentation at OECD Symposium on Agencies and Public-Private Partnerships (PPP's)

Madrid 5-7 July 2006

EFFICIENCY ARGUMENTS FOR PPP'S

- PPP'S allow private sector financing
- Profit-maximising private providers incentivised to optimise over project duration
- Optimal sharing of risk force public and private partners to price risks

QUANTITATIVE EVALUATIONS

Arthur Andersen and LSE 2000. Evaluation of 29 projects in UK already in operation. 1/3 of all PPP's in UK at that time.	Average percentage estimated saving (against Public Sector Comparator) was 17%. Risk transfer accounted for 60% of forecast cost savings.
National Audit Office (NAO) 2003. Examined construction performance in 37 UK-projects compared to projects built by public sector.	80% of PPP/PFi-deals delivered price certainty. Small price increases in 20% of deals. 73% of publicly built projects experienced significant cost overruns. 66% of PPP-deals delivered on time compared to 30 % for publicly built.
Road M4 Finland. Example of best practice in procurement.	Motorway between Helsinki and Lahti. Through PPP built 5 years earlier and at lower cost.

NECESSARY CONDITIONS TO OBTAIN VALUE FOR MONEY

- Competitive procurement
- Output-based contracts
- Performance-linked payments
- Benchmarking ongoing projects
- Optimal risk haring
- High speed rail link, Belgium-Netherlands-

  example of best practice regarding risk sharing

OPTIMAL MEANS **EACH** PARTY BEARS RISKS

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 majeur
- Change of exchange regime
- Archeological discoveries

FINAL REMARKS

- Limited number of evalutions so far
- Existing evaluations focus on perspectives of private providers and/or public sector representatives
- No evaluations yet involving end-users
- PPP's are long-term contracts
- Many still half-way through

END OF PRESENTATION

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