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About PPPs

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About Public-Private Partnerships

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Public-private partnerships (PPPs) are a mechanism that allows governments to procure and implement public infrastructure or services using the resources and expertise of the private sector. Where governments face challenges such as ageing or lack of infrastructure or the need for more efficient services, a partnership with the private sector can help foster new solutions and financing.

PPPs combine the skills and resources of both the public and private sectors through sharing of risks and responsibilities, allowing governments to benefit from the expertise of the private sector, while focusing on policy, planning and regulation, by delegating day-to-day operations. To achieve a successful PPP, a careful analysis of the long-term development objectives and risk allocation is essential. The legal and institutional framework in the country also needs to support this new model of service delivery and provide effective governance and monitoring mechanisms for PPPs. A well-drafted PPP agreement for the project should clearly allocate risks and responsibilities.

There is no standard, internationally-accepted definition of a PPP. The term is used to describe a wide range of types of agreements between public and private sector entities, and different countries have adopted different definitions as their PPP programs evolved. Typically a PPP is a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility.

The PPP Knowledge Lab, now part of the Public Private Partnership Resource Center, defined a PPP as "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance". PPPs typically do not include service contracts or turnkey construction contracts, which are categorized as public procurement projects, or the privatization of utilities where there is a limited ongoing role for the public sector. An increasing number of countries are enshrining a definition of PPPs in their laws, each tailoring the definition to their institutional and legal particularities.

Find more on public private partnership in the Online PPP Reference Guide.

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