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Managing PPP Contracts

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Managing PPP contracts involves monitoring and enforcing the PPP contract requirements; and managing the relationship between the public and private partners. The contract management stage spans the lifetime of the PPP agreement from the effective date of the contract to the end of the contract period.

Contract Management Stage of PPP Process

PPP Contracts
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Managing PPP contracts differs from managing traditional government contracts. PPPs are long term and complex, and contracts are necessarily incomplete—that is, the requirements and rules in all scenarios cannot be specified in the contract. Therefore, the management of PPP contracts must be flexible in both available resources and skills to meet the whole-life expectations of the contract. The aims of contract management for PPPs are to ensure

- Services are delivered continuously and to a high standard, in accordance with the contract, and payments or penalties are made accordingly;
- Contractual responsibilities and risk allocations are maintained in practice, and the government's responsibilities and risks managed efficiently;
- Changes in the external environment—both risks and opportunities—are spotted and acted on effectively; and
- The efficiency expectations of the contract are achieved and the handback provision in the contract are met.

These aims of contract management are elaborated in the **4ps Guide to Contract Management for PFI and PPP Contracts in the United Kingdom** (4ps 2007, 5). The **South Africa PPP Manual section on PPP Agreement Management** (ZA 2004a, Module 6, 11–12) describes what is needed and what is meant by successful management of a PPP contract, as well as what can go wrong, and why. **EPEC's 2014 Guidance for Managing PPPs** (EPEC 2014b) condenses European experiences on the topic. The **Caribbean PPP Toolkit** (Caribbean 2017, Module 6) presents Caribbean examples and discusses contract management best practices.

The foundations for effective contract management are laid early in the PPP implementation process. Many aspects of contract management—such as procedures for dealing with change, and dispute resolution mechanisms—are set out in the PPP agreements, as described in Designing PPP Contracts.

This section describes four key aspects of putting contract management into practice for PPP projects:

- **Establishing contract management institutions**—defining and establishing the key responsibilities and communication mechanisms that will enable a proactive, effective relationship between the public and private partners to the contract.
- **Monitoring PPP delivery and risk**—monitoring and enforcing contract compliance and service performance by the private party, ensuring the government delivers on its responsibilities under the contract efficiently, and monitoring and mitigating risk by the implementation of frequent and robust reporting mechanisms during the whole-life of the contract.

- **Dealing with change**—putting into practice the mechanisms described in Designing PPP Contracts to deal with contract adjustments, dispute resolution, and contract termination, as well as deciding whether, when and how to renegotiate.
- **Managing contract expiry and asset handover**—managing the transition of assets and operations early enough to ensure that the handback criteria or contracted handback condition of the asset is met at the end of the contract term.

The **United Kingdom Treasury's Operational Taskforce**, part of the PPP Unit, has produced comprehensive guidance notes covering several topics on contract management for PPPs (UK 2006a).

Key References

Managing PPP Contracts

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- EPEC. 2011b. *The Guide to Guidance: How to Prepare, Procure, and Deliver PPP Projects*. Luxembourg: European Investment Bank, European PPP Expertise Centre. Chapter 4: Project Implementation, Section 4.1: Contract Management describes and provides links to references on some key issues in contract management, including attributing management responsibilities, managing project delivery, managing change, dispute resolution, and termination.
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Visit the PPP Online Reference Guide section to find out more.

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- **INTRODUCTION**
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Subsections



Establishing Contract Management Structures



Monitoring and Managing PPP Delivery and Risk



Dealing with Change



Contract Expiry and Asset Handover

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