

pub·lic·pri·vate part·ner·ship

n \ˈpə-blik ˈpri-vət ˈpärt-nər-ship\

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

Introduction

There is no single, internationally accepted definition of *Public-Private Partnership*. This *Reference Guide* takes a broad view of what a PPP is, defining it 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.

This definition

- ◆ Encompasses PPPs that provide for both new and existing assets and related services;
- ◆ Includes PPPs in which the private party is paid entirely by service users, and those in which a government agency makes some or all payments;
- ◆ Encompasses contracts in many sectors and for many services, provided there is a public interest in the provision of these services and the project involves long-life assets linked to the long term nature of the PPP contract.

The project functions transferred to the private party—such as design, construction, financing, operations, and maintenance—may vary from contract to contract, but in all cases the private party is accountable for project performance and bears significant risk and management responsibility. PPP contracts typically allocate each risk to the party that can best manage and handle it—risk transfer to the private party is not a goal, but is instrumental for full transfer of management responsibility and for the alignment of private interests with the public interest. *Section 1.1 - What is a PPP: Defining ‘Public-Private Partnership’* provides more information on the range of contract types that constitute PPPs under this definition and the different nomenclature used to describe them.

Throughout this *Reference Guide*, the term “infrastructure” is used to cover the range of sectors and services for which PPPs are used. In this context, “infrastructure” encompasses economic, social, and government infrastructure—that is, the “basic physical and organizational structures” needed to make economic, social, and government activity possible (using the Oxford English Dictionary definition). *Section 1.1.3 - How PPPs Are Used: Sectors and Services* further describes the range of sectors and services for which PPPs are used.

At a minimum, a PPP will include a long-term commitment to provide infrastructure services—this implies the design and construction of infrastructure, or the renewal of existing assets, and the provision of long-term asset-maintenance. Most PPPs include additional services, including the full operation of the infrastructure when the private operator is able to commit to service quality and performance, and the procuring authority is able to define that same quality and performance. These additional services should also take place over the long term.

Practitioners can, if their projects are well-selected and their PPPs carefully structured, design and implement projects that optimize cost effectiveness and social well-being by aligning private partner profit objectives with public sector service objectives that support the public interest.

A substantial body of knowledge on Public-Private Partnerships (PPPs) has been generated across the world by a broad spectrum of practitioners from government, the private sector, international development institutions, academia, and expert advisors. This *Reference Guide* helps readers navigate this body of knowledge. It introduces key topics on PPP, sets out options, and directs readers to examples and references where they can learn more.

A growing number of governments are interested in partnering with the private sector to provide public infrastructure assets and services. This *Reference Guide* is meant to assist them. It aims to help government officials and other interested parties in answering these questions:

- ♦ What are PPPs, and why use them?
- ♦ What kind of policy, legal, and institutional framework is needed to ensure PPPs achieve their stated objectives efficiently and effectively?
- ♦ What is the process for developing and implementing a PPP project?

The *Reference Guide* attempts to provide the most relevant examples, references and resources to help readers inform themselves on key PPP topics. It is not a toolkit or a step-by-step guidebook; nor should readers expect to find a presentation of the status of PPPs in any given country or sector here. Those who wish to educate themselves on PPPs more thoroughly will find the **APMG PPP Certification Guide** (APMG 2016) a useful resource. Examples of well-formulated PPP manuals and toolkits are the **South Africa PPP Manual** (ZA 2004a), the **Caribbean PPP Toolkit** (Caribbe-

an 2017), and the World Bank sectoral toolkits (WB 2016f)—for instance, the toolkit on roadways (WB 2009a).

What is in the Reference Guide

The *Reference Guide* is divided into three modules:

- ♦ **Module 1: PPP Basics—What and Why?** Provides an overview of Public-Private Partnerships (PPPs)—what they are, how they are used to provide infrastructure assets and services, their benefits, and their pitfalls
- ♦ **Module 2: Establishing the PPP Framework.** Describes the elements of a sound legal and institutional PPP framework—that is, the policy, processes, institutions, and rules that together define how PPPs will be identified and implemented, and that promote good governance of PPP programs
- ♦ **Module 3: Implementing PPP Projects.** Provides guidance on each stage of developing and implementing a PPP project—from initially identifying candidate projects to managing PPP contracts through the project lifetime

Each module begins with an introduction, providing an overall framework for the module's content, and listing any helpful overview references. The modules are divided into sections, each covering a different topic.

Who should use the Reference Guide

This *Reference Guide* targets government officials who wish to improve their knowledge of PPPs. Other parties, including civil society organizations, private sector participants, universities, or other readers will find different parts of this *Reference Guide* useful at different times. As noted previously, the *Reference Guide* is part synthesis and part bibliography. As such, it may be useful for both the newcomer to the PPP area looking for a structured introduction to key PPP topics, and the expert who may find additional references in some specific area.

Using references

These references are **highlighted in bold type**, and followed, in parenthesis, by an author and a year, for example: '(Delmon 2016)' or '(OECD 2015b)', where 'b' differentiates between different works published in the same year by the same author. When convenient, a location within the reference will be added after a comma, such as (Delmon 2016, chapter 15). All references can be found in the

Reference List at the end of this book. The number in square brackets following the reference indicates the unique ID number of the document on the PPP Knowledge Lab library.

The *PPP Reference Guide* is also available online at the PPP Knowledge Lab, a fully curated, comprehensive site for PPPs developed by the world’s leading multilateral development agencies, with funding from the Public-Private Infrastructure Advisory Facility. The PPP Knowledge Lab allows users to read and search the content of

the Reference Guide online, and download the latest version of the book in PDF format which includes hyperlinks to all references.

Key references for each section will be written out with their complete citation at the end of the section. An example of a “key references” table is provided below. In some cases, the key references are organized by subject area, within the overall topic. Readers who just want to quickly get a sense of the most important references on the topic can refer directly to these key references.

PPP Reference Guide Modules and Who Should Read Them

| Module | Who Should Read It? |
|--|---|
| Module 1: PPP Basics: What and Why | <ul style="list-style-type: none"> • Anyone who wants to learn more about what PPPs are, and how they can be used to provide infrastructure assets and services • PPP practitioners looking for material to help articulate the benefits and risks of a PPP program to stakeholders within and outside governments |
| Module 2: Establishing the PPP Framework | <ul style="list-style-type: none"> • Government officials in the process of, or considering, developing or refining the policy, legal, and institutional framework that governs how PPPs are implemented • Finance ministry officials or other stakeholders concerned about public financial management for PPP programs |
| Module 3: PPP Cycle | <ul style="list-style-type: none"> • Government officials responsible for developing or refining PPP processes • Those responsible for developing, assessing, or implementing PPP projects, or for engaging advisors to support the PPP process—including PPP practitioners looking for tips from global experience • Other stakeholders interested in learning more about how PPPs work |

Key References: Example

| Reference | Description |
|--|--|
| Yescombe, E.R. 2007. <i>Public-Private Partnerships: Principles of Policy and Finance</i> . Oxford: Butterworth-Heinemann. | This book provides a comprehensive review of PPPs, including guidance to practitioners about key aspects of designing and implementing PPP policy and projects. Chapter 5 provides guidelines for public-sector appraisal of PPP projects. |
| Farquharson, Edward, Clemencia Torres de Mästle, E. R. Yescombe, and Javier Encinas. 2011. <i>How to Engage with the Private Sector in Public-Private Partnerships in Emerging Markets</i> . Washington, DC: World Bank. | This guide for public sector practitioners describes how to develop and implement a PPP successfully, by developing a marketable project and attracting the right private partners. Chapter 4 provides guidelines for PPP project selection. |