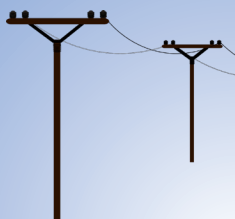


November 2014

# PUBLIC-PRIVATE PARTNERSHIPS

## Training Modules



*Understanding the benefits and challenges of further involving the private sector in public infrastructure development*

# PUBLIC-PRIVATE PARTNERSHIPS

## Training Modules

### *Table of Contents*

Module 1: PPP Concept, Benefits and Limitations

Module 2: PPPs Models


Module 3: Government Role for Creating an Enabling PPP  
Environment

Module 4: Risk Identification & Allocation

Module 5: PPP Structure and Financing


# PPP Concept, Benefits and Limitations

## Objectives



✓ Broad Overview of PPPs

✓ PPP vs. Traditional Procurement

 **ESCAP**  
Eurasian Subcontinent  
Asia-Pacific

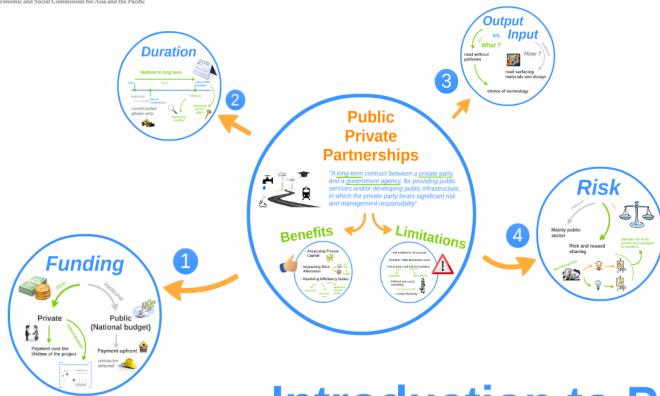
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# Public Private Partnerships

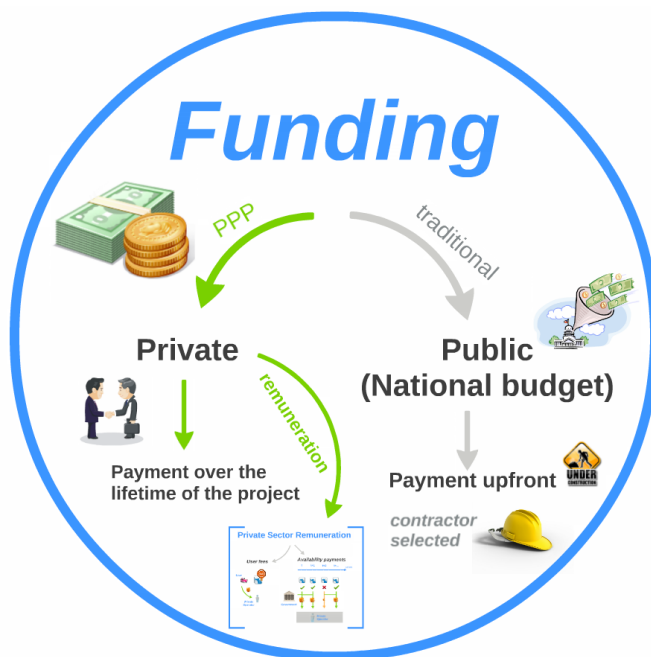


*"A long-term contract between a private party and a government agency, for providing public services and/or developing public infrastructure, in which the private party bears significant risk and management responsibility"*

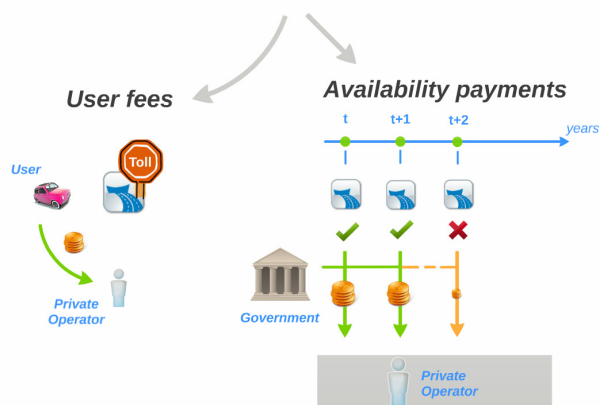
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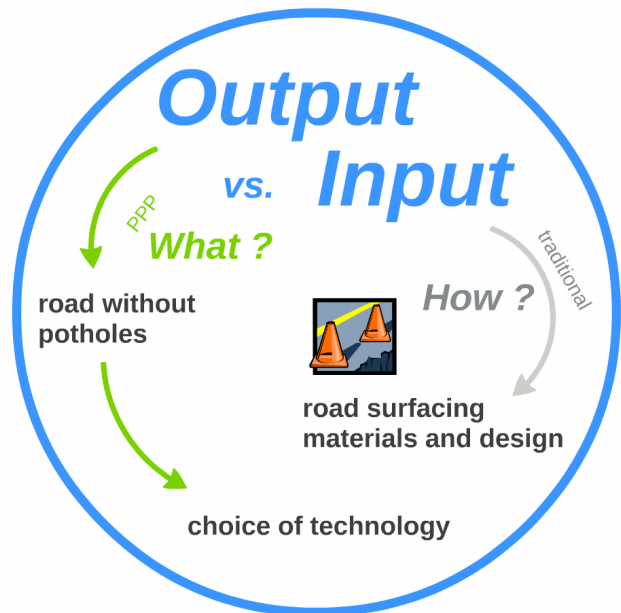
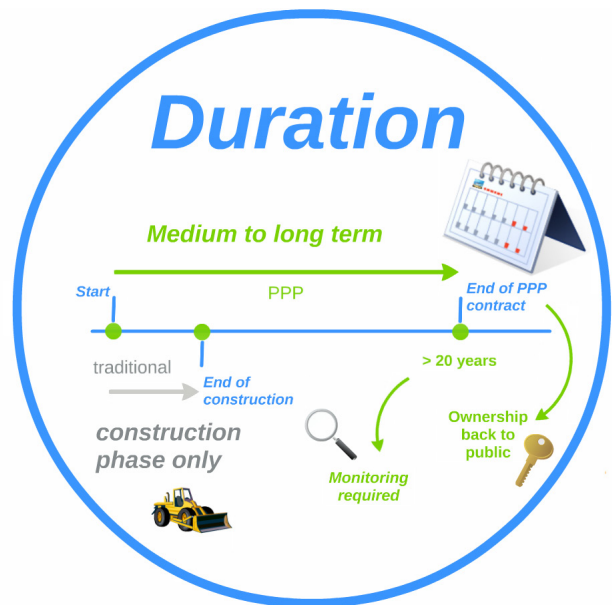


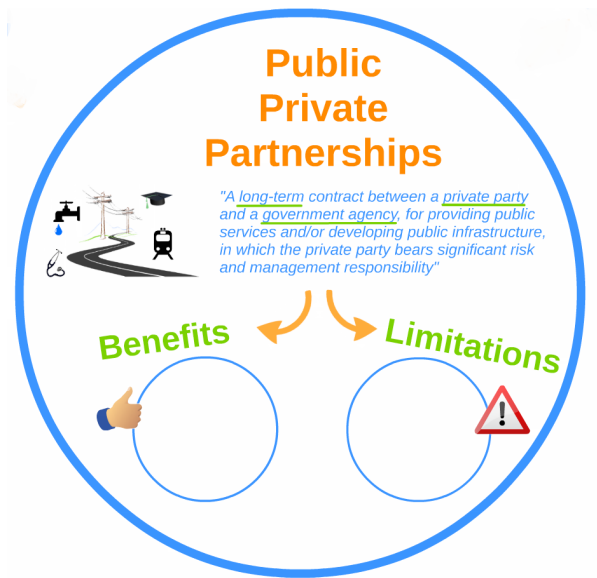
## Introduction to PPPs



## Private Sector Remuneration



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Notes:

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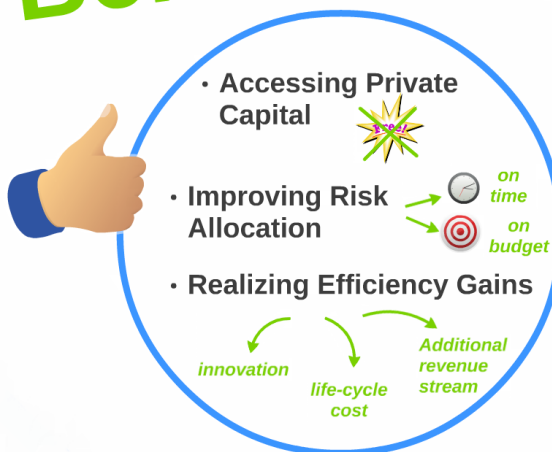
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## Benefits



## Limitations



Thank you

[www.unescap.org/ttdw/index.asp](http://www.unescap.org/ttdw/index.asp)  
[escap-ttd@un.org](mailto:escap-ttd@un.org)



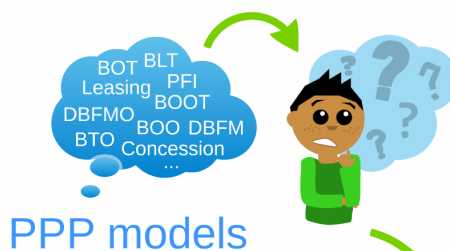
ESCAP is the regional development arm of the United Nations and serves as the main economic and social development centre for the United Nations in Asia and the Pacific

# MODULE 2

## Public-Private Partnership Models

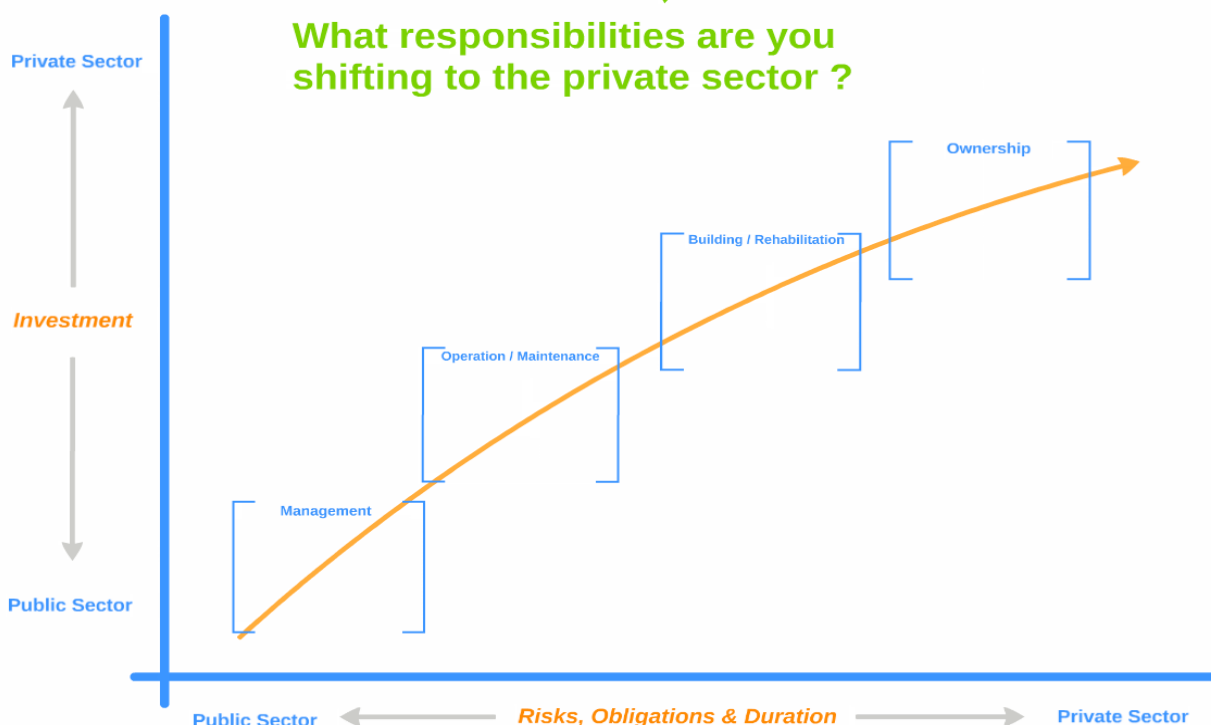
*This module is part of online training materials developed by ESCAP to support countries in the Asia-Pacific region to further involve the private sector in infrastructure development. The full set of training materials can be accessed on <http://www.unescap.org/our-work/transport/financing-and-private-sector-participation/public-private-partnership-course>*

Notes:



What are you trying to achieve ?

What responsibilities are you shifting to the private sector ?



# Management

*Fee for managing a public facility*  
→ **performance based**  
*No private capital investment*  
*Short Term (2 to 5 years)*

✓

Potential operational gains

Low complexity / quick implementation

Less politically sensitive

*Example*

**Water Sector**

Efficiency gains  
Private Sector remuneration  
bonuses for exceeding targets






Less challenging  
customer tariff

✗

Only existing infrastructure

Very limited transfer of risk (e.g. commercial risk)

No additional funding provided



**Efficiency gains**

**Private Sector Remuneration**

**bonuses for exceeding targets**

**Less challenging**

**customer tariff**

**WILL**

[illegible]

# Operation / Maintenance

Transfer the responsibilities of operating / maintaining a public asset to the private sector

## Port Terminal (Leasing)

Example 1

The diagram shows a cycle: Private Operator pays fees to the Government, the Government provides capital investment to the Public Asset, and the Public Asset generates revenues for the Private Operator. A warning triangle icon is next to the Public Asset box.

Private Operator

Government

Public Asset

fees

capital investment

revenues

operating

Example 2

## Road Maintenance

Performance based road asset management and maintenance contract

Performance based

Road ~~asset~~ ~~management~~ ~~maintenance~~ ~~contract~~

All potholes larger than a certain dimension must be filled within 5 days

Unit Price

Government Role

Paying on a per-input basis → Monitoring against performance indicators

Risk transfer → Efficiency gains

The diagram shows a transition from a traditional 'Road asset management maintenance contract' (crossed out) to a 'Performance based' contract. The new contract specifies that 'All potholes larger than a certain dimension must be filled within 5 days'. It also shows 'Unit Price' and 'Government Role' as 'Paying on a per-input basis', which leads to 'Monitoring against performance indicators'. A green arrow indicates 'Risk transfer' leading to 'Efficiency gains'.

Incentives for efficiency and high sales

O&M risks transferred

Limited investment (existing assets)

Regulatory oversight (e.g. tariff arrangements)

Reluctance to maintain an asset you have not built

*Port authorities*

*handling equipment*

The illustration shows a person wearing a headset and a purple shirt sitting at a computer, representing port authorities. Next to them is a large black crane lifting a grey shipping container, representing handling equipment. In the background, there are blue and yellow gantry cranes at a port.

### Performance based road asset management and maintenance contract

~~fixed fee per pothole filled in a road~~ → All potholes bigger than a certain dimension must be filled within x days

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_4811](https://www.yunbaogao.cn/report/index/report?reportId=5_4811)

