PPP Concept, Benefits and Limitations

The document provides a copy of the slides presented in the first module of the ESCAP e-learning series on Public-Private Partnerships. The related e-learning video can be watched on the ESCAP website.

Objectives

Facilitate PPP projects?
Foster a PPP enabling environment?

Definition

“**Public Private Partnerships**

A long-term contract between a private party, and a government entity, for the provision of public services and/or development of public infrastructure, in which responsibilities and rewards are shared.”

ESCAP supports governments in the Asia-Pacific region in implementing measures to efficiently involve the private sector in infrastructure development. The ESCAP e-learning series on Public-Private Partnerships contributes to this objective and aims at improving knowledge on PPPs.

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**Duration**

- **Medium to long term**
  - Start
  - End of PPP contract
  - Traditional: End of construction
  - PPP: > 20 years
  - Monitoring required
  - Ownership back to public

**Output vs. Input**

- **What?**
  - Road without potholes
  - 10 million air passengers/year
  - Road surfacing, materials and design
  - Two terminals, each at least 250,000 square meters

- **How?**
  - Traditional

**Risk**

- **Mainly public sector**
  - Risk and reward sharing
  - Construction and Operational Risks
  - Traditionally: Higher cost and risk allocation
  - PPP: Lower cost and risk allocation
  - Allocate risk to the partner best equipped to handle it

**Construction and Operational Risks**

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<th>Traditional Procurement</th>
<th>Public-Private Partnerships</th>
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<td>Operation and Maintenance Cost</td>
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**Construction Costs:**
- Cost of construction
- Operation and maintenance costs
- Risk allocation

**Operational Costs:**
- Cost of operation
- Risk allocation
- Tariffs paid by government
Benefits

Private Capital

Airport

Additional revenue streams

Efficiency Gains

Long-Term Solutions

Construction quality

Adequate maintenance

Risk Transfer

Life-cycle cost

Cost

Option 1

Option 2

Construction Cost

Maintenance Cost

Time

Limitations

Not suitable for all projects

Long-term predictable need?

Complex / High transaction costs

Minimum size?

Private sector capacity

Political and social sensitivity

“user-pay principle”

Limited flexibility

Please note that the video can be accessed on http://www.unescap.org/our-work/transport/financing-and-private-sector-participation