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Introduction

Over the past two decades, delivery of infrastructure services through the private sector, often referred to as PPP, has become an established means of providing essential services, such as power, transport and water supply, which were previously seen as the exclusive responsibility of governments. The fact that PPPs continue to spread around the world (for example, in states with socialist or communist governments, such as the Indian state of West Bengal or the People's Republic of Vietnam) and into new sectors (for example health and education) suggests that on balance they are seen as a successful way of raising capital and delivering better quality public services.

The debate about PPPs has moved beyond ideological arguments about the pros and cons of partnering with the private sector. It is now widely recognised that PPPs can be structured to achieve a range of public policy goals, including providing services to those who can least afford to pay for them (thus addressing one of the common misconceptions about PPPs, which is that they always involve increases in user charges). To fulfil their potential benefits, however, PPP projects must be designed to deliver specific performance improvements within a framework that shares costs and risks appropriately between the public and private sectors.

Three important themes run through this Reference Guide:

- PPPs are long-term commercial partnerships between the public and private sectors. This definition of PPPs matters because it distinguishes PPPs from outsourcing arrangements and privatisations. Viewing PPPs as commercial partnerships, rather than as purely contractual relationships, has wide-ranging implications for how PPP programmes are designed and implemented.
- The benefits of PPPs are much broader than accessing private capital. PPPs can help governments overcome short-term fiscal constraints; but their long-term benefits should be the delivery of improved infrastructure services at lower cost. Getting the early design of PPPs right is critical to ensure that these long-term 'value for money' benefits are realised.
- PPPs can deliver significant benefits in terms of increased quality and quantity of infrastructure services, often at a lower overall cost compared to public sector provision. On the other hand, when PPPs fail, the financial, social and political costs can be very high. There are no short cuts to good project development; taking the time to get the early design of PPPs right is essential when there is so much at stake.

Three decades of global experience provides valuable lessons about what works and what does not, and points to some emerging best practices in infrastructure PPPs. Drawing on that experience, this Reference Guide aims to be a practical guide and information resource on PPPs, with particular relevance for developing countries. While the term ‘best practice’ is contentious – given that best practices evolve and change over time and may not be relevant in all circumstances – the Reference Guide aims to draw out the key lessons learned from successful and failed PPP transactions.

The Guide covers the following areas:

- A high-level review of theory and recent trends on PPPs;
- An identification of the main constraints to PPPs in developing countries and useful initiatives/measures adopted by different countries to deal with these constraints;
- A description of the growing number of international donor-funded project development and financing facilities that are available to help address specific constraints on PPPs in emerging markets; and
- Practical lessons and emerging best practices from a range of case studies on successful and failed projects.

As the title implies, another objective of the Guide is to be a trustworthy directory to the best resources on PPPs, allowing the reader to research specific topics in more depth. There are many excellent guides to PPPs available in print and on the internet, many of which go into more detail than space allows here. Boxes are provided throughout the text with references/links to external sources.

The rest of the Reference Guide is structured as follows:

- **Section 3** introduces the key definitions and concepts relevant to PPPs. The benefits of PPPs are discussed, together with an analysis of the evidence on value for money assessments of PPPs. The section also describes the evolution of PPP theory and practice over time from its origins in OECD countries, as well as current trends in developing countries.
- **Section 4** describes the overall PPP framework, including the policy, legal, regulatory and institutional framework, and the main lessons that can be learned from the experience of different countries. The section discusses the PPP project development process in detail, providing information on the different stages and the main activities, as well as an indication of the time and costs involved. Some issues for PPP portfolio management, including contingent liability management, contract management and monitoring, and renegotiations, are also discussed in this section.
- **Section 5** discusses the key issues and constraints faced by developing countries in structuring, developing, financing and operating PPPs. Experience in tackling some

of these constraints through the establishment of PPP units and/or other types of government intervention is also discussed.

- **Section 6** describes donor-backed initiatives designed to address PPP constraints in developing countries, including project preparation facilities, financing facilities, guarantee facilities and project funding facilities.
- **Section 7** discusses recent experience with infrastructure PPPs in Commonwealth developing countries, and also provides a brief background to the infrastructure gap and state of the enabling environment for PPPs in those countries. Some specific PPP experience across the core infrastructure sectors as well as selected countries is discussed.
- Finally, **Section 8** summarises the key lessons learned on PPPs.

The main Reference Guide is supported by annexes that provide further data.

- **Annex 1** provides some frequently asked questions (FAQs) on infrastructure PPPs.
- **Annex 2** describes the overall trends in PPPs and private sector participation in infrastructure in general in low- and middle-income countries; trends are discussed by region, by country and by sector, as well as the overall trends in failed projects.
- **Annex 3** provides some useful published indicators for Commonwealth developing countries on the infrastructure gap and the enabling environment.
- **Annex 4** provides detailed tables on donor-backed PPP facilities for project preparation, infrastructure financing and guarantees.
- **Annex 5** describes some select case studies of infrastructure PPPs, deriving the key issues and lessons learned from their experience.
- **Annex 6** is a technical glossary.

