These are challenging times

- Deficits at all levels of government, in the U.S. and around the World
- Often have requirement for a “Balanced Budget” – if not statutory, at least driven by financial market demands
- Infrastructure and service needs escalating
  - Postponed maintenance
  - Population growth increases demands

I may have an answer
What is NCPPP?

- **Membership**
  - Public and Private

- **Partnerships range from:**
  - Outsourcing
  - Public-Private Partnerships
  - Privatization

- **OUR FOCUS = Public-Private Partnerships**
  - “Joint Ventures”
  - “Collaborative Enterprise”

- **NOT “Privatization”**
  - Difference = *The level of public control & oversight*
Objective

To provide a framework to illustrate the use of Public-Private Partnerships (PPPs) in the US:

- **Are not revolutionary**
  - More widely used in other countries
    - Europe, Asia, Latin America, Africa
  - Used in a number of sectors infrastructure
  - Over 300 years of experience in the US
    - First ones for transportation and water

- **Don’t answer all challenges**

- **Does provide a valuable tool**
What is a PPP?

A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

source:  www.ncppp.org
Sectors Where PPPs Have Been Used

THE EXPERIENCE IS TRANSFERABLE

“Lessons learned from one . . .”

• Social Infrastructure
• Transportation
• Water/Wastewater
• Energy
• Financial Management
• Social Services
Private Sector Strengths

The Result of Market Competition

• Management Efficiency
• Newer Technologies
• Workplace Efficiencies
• Cash Flow Management
• Personnel Development
• Shared Resources (Money?)
Public Sector Strengths

The Result of Serving the Public Trust

- Legal Authority
- Protection of Procurement Policies – with a need for transparency
- Broad prospective/balance the competing goals to meet public needs
- Personnel – dedicated but constrained
- Capital resources
Successful Partnerships

The Secret is to Balance the Strengths of Both Sectors
Advantages of PPPs

- Maximizes the use of each sector’s strength
- Reduces development risk
- Reduces public capital investment
- Mobilizes excess or underutilized assets
- Improves efficiencies/quicker completion
- Better environmental compliance
- Improves service to the community
- Improves cost effectiveness
- Shares resources
- Shares/allocates risks
- Mutual rewards
Six Keys to Successful PPPs

• Statutory and Political Environment
• Organized Structure
• Detailed Business Plan
• Guaranteed Revenue Stream
• Stakeholder Support
• Pick Your Partner Carefully
Managing for Success – Six Keys

Component One: The Environment

- Statutory authority and regulations
- Political leadership must be in place
  - Leading Political Figure
  - Top Administrative Officials
  - “The Will to Change the System”
  - A Strong Policy Statement
Managing for Success – Six Keys

Component Two: Organized Structure

- Dedicated group (tied to the purpose of the partnership)
- Dedicated and TRAINED personnel to monitor implementation
- Examples: TXDOT, VDOT, PPP Centrum, Partnerships UK, Irish Government’s Central PPP Unit
- Best Value vs. Lowest Price
  - Difficult to Administer but...
- Need for Good Governance
  - To assure an open and fair procurement process
  - Consolidate staff = easier to monitor
  - Independent authority (domestic/internal or international)
Managing for Success – Six Keys

Component Three: Detailed Business Plan
a.k.a. Enforceable Contract

• Performance goal oriented - Allow for innovative plans
• Best Value vs. Lowest Price
• Plan/Contract should include:
  ▪ Specific milestones and goals
  ▪ Reporting of metrics and frequency
• Risk Allocation
  ▪ Shift to the private sector can raise costs
  ▪ Identify best prices to retain, which to shift
• Dispute Resolution Methodology
• Workforce Development?
  ▪ Develop in-country resources/small businesses
Managing for Success – Six Keys

Component Four: Guaranteed Revenue Stream

- Funds to Cover the Long-Term Financing
  - Tolls/Fees (real or shadow)
    - Intelligent transportation systems
  - TIF or other form of a Tax District
  - Long-Term Maintenance Contracts
  - Availability Payments
  - Underutilized Assets
  - Concession Model (limited application)
  - Creative Approaches
Managing for Success – Six Keys

Component Five: Stakeholder Support

- End Users
- Private Sector
- Labor Unions
- Competing Interests
- Public Sector Employees

Requires:
- Open and frank discussion between sectors
- Knowing the FACTS (not myths)
- Translating each other’s language
Managing for Success – Six Keys

Component Six: Pick Your Partner Carefully

• This is a long-term relationship
  ▪ Verify experience (technical capability)
  ▪ Verify financial capability
  ▪ Best Value vs. Lowest Price

• Remember each sector’s motivation
  ▪ Genuine need (market value to the project)
  ▪ Political / statutory environment
  ▪ Reasonable return on investment and manageable risks
  ▪ Timely and effective execution vs. development costs
Managing for Success

The Most Critical is Component One:

Strong LEADERSHIP makes all the other factors come together
Need Help?

www.ncppp.org
Case Studies, Fundamentals of Partnerships, Issue Papers, Publications, Resources

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