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PUBLIC PRIVATE PARTNERSHIPS

AN INTRODUCTION

Olukayode B.A Fabunmi.
Benjamin Omoruyi.

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INTRODUCTION

One of the primary functions of government in modern societies is the provision of basic infrastructure/services to its citizens, for example, good roads, education, health care etc. In order to perform that function, government usually establish, finance, own and manage various corporations/agencies saddled with the responsibility of providing such infrastructure services. However, modern realities have made it impracticable for governments, all over the world, to be able to fully finance infrastructural projects, hence the need to access private funds for public benefits.

Government use of private contributions for the public benefits is nearly as old as recorded history. For example, in the ancient city-state of Athens in the fourth century B.C., prominent citizens made major contributions for staging costly public festivals and religious events and for building public buildings and monuments.[1]

WHAT IS PUBLIC-PRIVATE PARTNERSHIP?

There can be no single definition of the term "Public- Private Partnership". In order to get a clear picture of the term, it is necessary to always bear in mind the nature and meaning of the word 'partnership'. Partnership is the relationship that exists when two or more persons carry on business in common with a view of making profit.[2]

The term Public- Private Partnership (PPP), also called 'Alternative Financing Partnership' or 'Private Finance Initiative', is a general term used to describe a ***business relationship in which public and private resources are blended to achieve a goal or set of goals judged to be of mutual benefit both to the private entity and to the public***.

It refers to long-term contractual partnership between public and private sector agencies, specifically targeted towards financing, designing, implementing and operating infrastructure facilities services that were traditionally provided by the public secto***r.***[3]

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[1] E. Bertig, J. O'Connor et al, (2001): Public-Private Partnerships in Seattle,

[2] Section 3 (1) Partnership Law of Lagos State

[3] Private-Public Partnership-the South African Experience,www.bindes.gov.br/conhecimento/seminario/ppp26

The definition embraced by The Canadian Council for Public-Private Partnerships is as follows:

> **A cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards[4].**

On its part, the Partnerships British Colombia, an umbrella body for public private partnership set up by the British Columbia government in 2002, described a public private partnership as

> **…a legally-binding contract between government and business for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners**.[5]

In a public private partnership arrangement, government remains actively involved throughout the project's life cycle. The private sector is responsible for the more commercial functions such as project design, construction, finance and operations.

Public private partnership takes a variety of forms, with varying degrees of public and private sector involvement – and varying levels of public and private sector risk. In fact, risk transfer from the public to the private sector is a critical element of all public private partnerships.

The goal is to combine the best capabilities of the public and private sectors for mutual benefit, to induce the private sector to address or finance a public sector goal. The public sector goal may range from the construction of new structures, maintenance of existing structures, to the provision of infrastructure services.

For example, if a private company assumes responsibility for financing and building a highway or hospital, it also assumes responsibility for related risks: interest rates could rise; construction could be delayed; labour costs could increase; and so on.[6]

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[4] www.pppcouncil.ca/aboutPPP_definition.asp

[5] Partnerships British Colombia- *An Introduction to Public Private Partnerships*: www.partnershipsbc.ca

[6] ibid

Public private partnership is a refined approach of privatisation. Unlike privatisation that involve government transfer of ownership to the private sector, the arrangement in public private partnerships is characterised by the sharing of investments, risk, rewards and responsibilities between the private and public sector.[7] Through this medium, governments have been able to push infrastructural development in their various states[8].

PUBLIC PRIVATE PARTNERSHIP IN OTHER COUNTRIES:

THE US AND CANADA EXPERIENCE: There has been a long history of private sector provision of various kinds of public goods and services in North America. For example, the first private turnpike in the U.S. was chartered by Pennsylvania in 1792. Franchise contracts between public and private partners were introduced in New York City in the 1820s for gas and in the 1830s for street railway transportation.

Over the years, many US and Canadian cities extended such contracts to many municipal services including gas, electricity, water, sewer, street railways, telephone, subways, railroad terminals, ferries, private bridges, tunnels and toll roads. While these arrangements might not meet a contemporary definition of a public private partnership, they did have some partnership-like elements.

Public private partnerships have re-emerged in the U.S. and Canada in the mid-1990s. North American governments, like those in Europe and Australia, have been attracted to Public private partnerships in the areas of transportation, water and wastewater, and for other technologically complex projects. The most dominant area, both in number of projects and total dollar volume of business, is in water and wastewater facilities.

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[7] Engr. OkwudiliN. Ikejiani: *Nigeria's Development of Transportation Infrastructure through Public Private Partnership (PPP)*

[8] Rowland Ogbonnaya (2009): "Nigeria: Why Public Private Partnership", an opinion published by *Thisday* Newspaper, 17 Feb. 2009, www.allAfrica.com/stories/200902180176.html

Some of the largest and most well-known Public private partnerships projects are very large, for example, the Toronto Pearson International Airport in Ontario which cost CA$4.4 billion and the new International Air Terminal at John F. Kennedy Airport in New York which cost $1.4 billion.[9]

Others are:

- the Canada Line Automated Rapid Transit Service- in Greater Vancouver, British Columbia
- the Western Portion of the Highway 30 Project- west of Montreal, Quebec
- Central Park- New York
- Chicago Skyway Bridge- Chicago, Illinois
- State Route 91, 125- San Diego, California.[10]

It is notable that less than half of these projects include *significant* private-partner financing roles. Nonetheless, many do involve some private financing.

THE UK EXPERIENCE: The United Kingdom can undoubtedly be depicted as a pioneer country in the adoption of Public Private Partnerships. Public Private Partnership schemes were introduced by the Conservative government of John Major in 1992 with the so-called "Private Finance Initiative" (PFI) that abolished the rule restricting the use of private capital to fund public assets[11]. It was aimed at reducing the Public Sector Borrowing Requirement[12].

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[9] Vining, Boardman & Poschmann (2004): *Public Private Partnershipin the US and Canada: Case Studies and Lessons,* International Public Procurement Conference Proceedings, Vol. 3, 2004. Pp 36-38 www.unpcdc.ord,media,6292.pdf
[10] www.en.wikipedia.com
[11] Andrea Renda & Lona Schrefler (2006): *Public- Private Partnerships National Experiences in the European Union,* (Briefing note IP/A/IMCO/SC/2005-160), pp 4-5
[12] www.en.wikipedia.com

In 1997 the new Labour government of Tony Blair adopted PFI and developed it further by shifting the emphasis to the achievement of "value for money" mainly through the allocation of risk, while, incidentally changing the name to "public private partnerships". From that moment onwards, Public Private Partnerships have gone a long way and today at least 750 projects, in excess of 80 billion Euros, had been undertaken in the UK through public private partnership arrangements[13].

The growth of PFI initiatives has been particularly significant after 2000 and has now stabilized as an 11% share of total public investment. According to the latest Home Ministry Treasury report, the key sectors for PFI projects are health (with more than 34 hospitals and 119 other health schemes), education and skills development (with 239 new and refurbished schools), local government (with new fire and police stations), waste and water projects, transport and defence.

The picture looks different when projects are considered from the perspective of their contract value as a percentage of all signed PPPs: at the end of 2004, as much as 51% of the total value of PPPs undertaken was located in the railway sector (*e.g.* three London Underground projects, the Channel Tunnel Rail Link), whereas 11% was related to healthcare, 7% to education, and 3% to prison services (mainly accommodation facilities). Roads and bridges accounted for 9% of the total value of PPP contracts, while the remaining 13% covered other types of services such as water supply and air traffic control.

A peculiarity of the UK experience is the early implementation of PPP schemes in the defence sector, which is often considered as one of the areas in which greater resistance to public-private partnerships is to be expected. PFI was first mentioned by the Ministry of Defence in 1995, and by 1996 PFI was announced as a recognised part of the Ministry's drive for increased efficiency and value for money. The Ministry established a PFI Unit and identified six areas for

[13] Renda & Schrefler, ibid

PFI comprising training, equipment, property and accommodation, support services, utilities and information technology. By 2004, the Ministry had signed 52 PFI contracts with a capital value of £4.3 billion.

One key point was the formation of the Treasury Task Force which, by standardising wordings and procedures helped enable the UK to undertake as many projects as it has done. A model which is used the world over is now PPP, and in Nigeria, for example, the model legislation is the Infrastructures Concession Regulatory Commission.

The success of introducing Public Private Partnership into British public life centres around the political will at the top to make it work. At the outset, the Treasury made it clear that it would only release funds for public sector projects once the spending department had shown that it had considered PPP as an option for that project. This was done by means of the "Public Sector Comparator" – a process by which it was possible to compare a project carried out traditionally by the public sector and one carried out by the private sector. If the PSC showed it was more effective to procure a building or service in the traditional manner by the private sector, then that is what happened.

The current government policy is that PPP should continue to play a role in delivering modernised public services. But still it will be used only when it can be shown that it delivers value for money. Home Ministry Treasury estimates that it will comprise 10 – 15 % of total investment in public services. Over the next 5 years, there are about 200 projects in the pipeline worth some Euro 40 billion.

THE FRENCH EXPERIENCE: the modern form of public private partnership (les *partenariat public-prive)* is gaining momentum in France though the country has had a longstanding experience of Public-Private cooperation in infrastructure developments- during 16th and 17th centuries, public-private cooperation allowed the construction of canals and bridges: The Canal

du Midi, in the south of France, is one of the first PPP examples, Paris urban modernization by Haussmann was also financed under a PPP-like agreement.

In the 19th century Government collaborated with private sector for railway, metro, water, sanitation, or electricity infrastructures projects. In the 20th century, especially in the last decade, motorways, waste management plants, hospitals, prisons, stadiums and many public buildings were built under public-private partnership arrangements.

Since 1955, France developed these innovative solutions to finance public facilities, with little public funds: it is the beginning of private involvement in all phases of infrastructure projects (designing, building, financing and operating over a long time period). However, the projects always remain under the control of the public administration- the private business being paid from user fees.

The last review of PPPs projects status that the Department of Economy, Finance and Employment provided is dated January 2008: the study estimates that all sort of PPP contracts that are in development progress are worth 10 billion Euros, of which 7.2 billion Euros will be signed as “Partnership Contracts”, the new French PPP scheme[14].

THE AFRICAN EXPERIENCE: most African countries have also adopted and developed various forms of public private partnership arrangements in the development of infrastructure services. The Ugandan government has made use of the arrangement to upgrade the state-owned International Hospital in Kampala. The South African Government is making use of the arrangement to develop its transports, health, prison etc.

In Nigeria, the Federal Government is also taking advantage of the benefits inherent in a public private partnership to upgrade the nation’s airports. The state government is not left out- the Lagos State Government, for example, has recognised the potential inherent in the Public-

[14] Matthieu Desiderio (2008): *Public Private Partnership, French Practices and Evolutions,* www.en.transport-expertise.org/index

Private Partnership Initiative as a veritable tool that could be adopted for the rapid development of the state. To this end, the state is making use of the initiative to develop its transport, provide portable water, waste management etc[15]. An example is the Lagos State Light Railway Line project, which is expected to run from Okokomaiko to Marina[16]. Another good example is the current expansion of the Lekki Express Way. Similarly the Cross Rivers State Government made use of the arrangement to finance the Tinapa Export Free Zone project. The Rivers state government is also taking advantage of public private partnership arrangements to develop the state.

BENEFITS/ADVANTAGES OF PUBLIC- PRIVATE PARTNERSHIP

The advantages of public- private partnership include:

- Public- Private Partnership allows the public sector to access private finance to build much needed infrastructure. This leads to a more rapid project execution- government needing roads, rail systems, hospitals without cash to spend can turn to private sector consortia to deliver infrastructure cheaper and faster than completing it in-house. Rather than paying for an asset up front, government can pay for it along with a service over time.[17]

- Public- Private Partnership often stimulates economic development by encouraging private investment in local businesses that create jobs and increase local tax revenue.

[15] www.lagosstate.gov.ng/web/ppp/home
[16] Rebuilding, Operating and Managing Nigeria's Transportation Infrastructure …
[17] www.pwc.com/extweb/challenges/nsf/docid

For example, the concession of the dualisation of the Lekki Express Way to private partners has created new jobs for Lagosians. This will in turn lead to greater tax revenue.

- Public- Private Partnership reduces project implementation risk for the government and reallocate these risk to a private partner better suited to manage them. The private sector only realises its investment if the asset performs according to the contractual obligations. As the private partner will not receive payment until the facility is available for use, Public Private Partnership structure encourages efficient completion, on budget and without defects.

- Improve service delivery- This is because the private partner operates in a more entrepreneurial fashion and with less cumbersome government bureaucracy and waste. Of more importance is the fact that the public have access to the improved services *now,* not years away when a government's spending programme permits.

- Public- Private Partnership helps the public sector develop a more disciplined and commercial approach to infrastructure development whilst allowing them to retain strategic control of the overall project and service.

- There is service guarantee- This is because if the private partner fails to perform its obligation, the government does not have to pay for the service and can terminate the contract with the private sector.

- Public- Private Partnership process helps to reduce government debt and to free up public capital to spend on the other government services.

- Public- Private Partnerships are helping to create efficient and productive relationships between the public and the private sector. This has a substantial advantage- the cooperation between the public and private sector has generally shortened project procedures. This is because the private sector know-how and the public sector powers are combined, and also because private sector operates under a profit-driven time constraint, thus unnecessary waste of time cannot be tolerated by either party, especially the private partner.

ACRONYMS OF PUBLIC PRIVATE PARTNERSHIP

The following terms/ acronyms are usually used to describe various models of public private partnerships agreement. The list is in exhaustive and includes:

Build/Operate/Transfer (BOT) or Build/Transfer/Operate (BTO): Under this model, the private partner builds a facility to the specifications agreed to by the public agency, operates the facility for a specified time period under a contract or franchise agreement with the agency, and then transfers the facility to the agency at the end of the specified period of time. In most cases, the private partner will also provide some, or all, of the financing for the facility, so the length of the contract or franchise must be sufficient to enable the private partner to realize a reasonable return on its investment through user charges.

At the end of the franchise period, the public partner can assume operating responsibility for the facility, contract the operations to the original franchise holder, or award a new contract or franchise to a new private partner. The BTO model is similar to the BOT model except that the transfer to the public owner takes place at the time that construction is completed, rather than at the end of the franchise period.[18]

[18] www.pppcouncil.ca

Build-Own-Operate (BOO): The contractor constructs and operates a facility without transferring ownership to the public sector. Legal title to the facility remains in the private sector, and there is no obligation for the public sector to purchase the facility or take title. It is however doubtful if such an arrangement can qualify as a public private partnership in view of the elements/ characteristics of a public private partnership. For example, see **Section 7 of the Infrastructure Concession Regulatory Commission Act 2005** which make provision for a time frame in all concession agreement.

Buy-Build-Operate (BBO): A BBO is a form of asset sale that includes a rehabilitation or expansion of an existing facility. The government sells / transfer the asset to the private sector entity, which then makes the improvements necessary to operate the facility in a profitable manner- for a specific period of time.

Contract Services: This could be in any of these two forms:

(a) **Operations and Maintenance-** in this case a public partner (federal, state, or local government agency or authority) contracts with a private partner to provide and/or maintain a specific service for a specific term- the public partner retains ownership and overall management of the public facility or system.

(b) **Operations, Maintenance, & Management**: in this case a public partner (federal, state, or local government agency or authority) contracts with a private partner to operate, maintain, and manage a facility or system providing a service for a term. Under this contract option, the public partner retains ownership of the public facility or system, but the private party may invest its own capital in the facility or system. Any private investment is carefully calculated in relation to its contributions to operational efficiencies and savings over the term of the contract. Generally,

the longer the contract term, the greater the opportunity for increased private investment because there is more time available in which to recoup any investment and earn a reasonable return.

Design-Build (DB): A DB is an arrangement where the private partner designs and builds infrastructure to meet the public sector performance specification, often for a fixed price so the risk of cost overruns is transferred to the private sector. It is also doubtful if this arrangement qualifies for a public private partnership. Many writers are of the view that this arrangement is nothing more than a 'contracting out.' This type of partnership arrangement can reduce time, save money, provide stronger guarantees and allocate additional project risk to the private sector. It also reduces conflict by having a single entity responsible to the public owner for the design and construction. The public sector partner owns the assets and has the responsibility for the operation and maintenance.

Design-Build-Maintain (DBM): A DBM is similar to a DB except the maintenance of the facility for some period of time becomes the responsibility of the private sector partner. The benefits are similar to the DB with maintenance risk being allocated to the private sector partner and the guarantee expanded to include maintenance. The public sector partner owns and operates the assets.

Design-Build-Operate (DBO): A single contract is awarded for the design, construction, and operation of a capital improvement. The private partner designs, constructs and operates a new facility under a long-term lease. Title to the facility remains with the public sector during the duration of the lease and the private partner transfers the new facility to the public sector at the end of the lease term.

A simple design-build approach creates a single point of responsibility for design and construction and can speed project completion by facilitating the overlap of the design and construction phases of the project. On a public project, the operations phase is normally

handled by the public sector under a separate operations and maintenance agreement. Combining all three passes into a DBO approach maintains the continuity of private sector involvement and can facilitate private-sector financing of public projects supported by user fees generated during the operations phase.

Developer Finance: The private partner finances the construction or expansion of a public facility in exchange for the right to build residential housing, commercial stores, and/or industrial facilities at the site. The private developer contributes capital and may operate the facility under the oversight of the government. The developer gains the right to use the facility and may receive future income from user fees for a specified period under the partnership agreement.

Enhanced Use Leasing (EUL): An EUL is an asset management arrangement that can include a variety of different leasing arrangements (e.g., lease/develop/operate, build/develop/operate).

Lease/Develop/Operate (LDO) or Build/Develop/Operate (BDO)
Under these partnership arrangements, the private party leases or buys an existing facility from a public agency; invests its own capital to renovate, modernize, and/or expand the facility; and then operates it under a contract with the public agency.

Lease/Purchase: A lease/purchase is an instalment-purchase contract. Under this model, the private sector finances and builds a new facility, which it then leases to a public agency. The public agency makes scheduled lease payments to the private party. The public agency accrues equity in the facility with each payment. At the end of the lease term, the public agency owns the facility or purchases it at the cost of any remaining unpaid balance in the lease. Under this arrangement, the facility may be operated by either the public agency or the private developer during the term of the lease.

Sale/Leaseback: This is a financial arrangement in which the owner of a facility sells it to another entity, and subsequently leases it back from the new owner. Both public and private entities may enter into a sale/leaseback arrangement for a variety of reasons. An innovative application of the sale/leaseback technique is the sale of a public facility to a public or private holding company for the purposes of limiting governmental liability under certain statues. Under this arrangement, the government that sold the facility leases it back and continues to operate it.

Tax-Exempt Lease: this is an innovative arrangement whereby a public partner finance capital assets or facilities by borrowing funds from a private investor or financial institution. The private partner generally acquires title to the asset, but then transfers it to the public partner either at the beginning or end of the lease term. The portion of the lease payment used to pay interest on the capital investment is tax exempt under the relevant state and federal laws. In Canada, for example, Tax-exempt leases have been used to finance a wide variety of capital assets, ranging from computers to telecommunication systems and municipal vehicle fleets.

Turn key: A public agency contracts with a private investor/vendor to design and build a complete facility in accordance with specified performance standards and criteria agreed to between the agency and the vendor. The private developer commits to build the facility for a fixed price and absorbs the construction risk of meeting that price commitment.

Generally, in a turnkey transaction, the private partners use fast-track construction techniques (such as design-build) and are not bound by traditional public sector procurement regulations. This combination often enables the private partner to complete the facility in significantly less time and for less cost than could be accomplished under traditional construction techniques.

In a turnkey transaction, financing and ownership of the facility can rest with either the public or private partner. For example, the public agency might provide the financing, with the

attendant costs and risks. Alternatively, the private party might provide the financing capital, generally in exchange for a long-term contract to operate the facility.

ELEMENTS OF PUBLIC- PRIVATE PARTNERSHIP

The elements of Public - Private Partnership are the characteristics of every public private partnership agreement. They include the following:

The Partnership Participants: The number and composition of public and private participants in partnership projects are not subject to definite rules, they differ from one case to the next. However, the partnership participants must include representatives of the public and private sectors. Participants from the public sector are predominantly representatives of local, state or federal government, while Private-sector partners are financially powerful actors like property developers and real estate companies, large groups of companies engaged in a broad range of urban development sectors, institutional investors such as banks and insurance companies, or a wide variety of firms operating in sewage and waste disposal.

The members of public private partnerships pursue one common goal: the implementation, financing and/or management of large-scale projects with high prestige, the provision of specific urban services, or projects intended to strengthen or improve the economic viability and competitiveness of certain urban districts or entire cities.

The expectations of public and private actors concerning cooperation differ according to their specific functions and roles. The public sector, which in the majority of cases is the initiator of PPP projects, expects access to the professional competences and capacities of the private sector, a mobilization of private funds, relief with regard to limited administrative capacities and local budgets and, last but not least, the accelerated and professional realization of projects.

Limited Delegation/ Specific Time Frame: an essential element of Public- Private Partnership is that it is a partnership agreement for a specific period of time. The government merely delegates the commissioning of certain infrastructure service to a private partner for a given period.[19]

Monitored Performance: the government defines the obligations and the latitude accorded to its private partner in the performance agreement. Compliance with the obligation can be monitored by the government or an independent regulatory authority. The private sector is paid based on their ability to meet pre- determined performance standards.

Public Ownership: the private partner merely acquires the right to use the infrastructure for a fixed period of time in order to provide the services. The state retains ownership of the infrastructure and resources. In other words, the facilities remain within the public ownership- the private operator is working as a sub contractor under the operation contract for a certain period of time.

The Financing Arrangement: the arrangement may involve the government contributing a certain percentage of the whole project sum. For example, the Vector Arena in Auckland is one Public- Private Partnership project in New Zealand. Under the agreement, the Auckland City Council contributed $68 million towards the $80 million multi- purpose arena. Ownership will be transferred back to the City Council in 40 years from completion.[20]

Risk Sharing/ Transfer: project related risk, that is, technical, performance, market and financial risk are usually transferred (to a great extent) to the private partner. While political,

[19] Jorg Al. Reding (2007): Public- Private Partnership in Infrastructure Service- An Instrument for Poverty Reduction and Economic Development. www.seco-cooperation.ch

[20] Norman Flynn (2007): Public Sector Management, 5th Ed, S.A.G.E, p 252. See also www.en.wikipedia.org

regulatory and foreign exchange risk should be allocated to the party best suited to deal with them- that is, government, international financial institution, private insurer.[21]

Reward: since the aim of Public- Private Partnership is to induce the private sector to finance a public sector goal, the hope of reward/ profit serves as a motivation for profit oriented private partners. For the public partner, the reward may be the hope of providing better services to its citizens as well as increase revenue.

Responsibility: Public- Private Partnership involves a clear definition of the role and responsibility of each partner. Responsibilities are shared between the private and public partners. For example, the private partner may be required to build a school with the facilities and maintain the school throughout the contract period, while the government provides the teachers.[22]

The list of elements of Public Private Partnership is always open- ended, for the elements can be tailored to meet the circumstances of each particular case. In any case, the elements of Public Private Partnership will always be such that it is a contractual agreement between the public and private partners and an innovative acquisition method with considerate advantages.

[21] www.rajasthan.gov.in/ppp/whatisppp.pdf
[22] www.veoliawater.co.kr/en/services/municipalities/ Public- Private Partnership

KEY PRINCIPLES OF PUBLIC- PRIVATE PARTNERSHIP

The key principles of public- private partnership are seen as a means of assuring that such partnerships protect both the public interest and provide commensurate benefit for private partners. In other words, these are guidelines proposed as a framework for assessing the efficacy of public-private partnerships for funding, financing, and delivering infrastructure services and facilities.

Principle 1: Public-private partnerships are a tool in the transit toolbox: Public Private Partnerships should be viewed as one of a number of techniques and mechanisms for funding, delivering and sustaining infrastructure services. Public Private Partnerships can be used successfully for a variety of purposes, including delivery of major projects, provision of cost-effective services, and utilization of contractual relationships to improve quality and timeliness of capital projects and services. However, Public Private Partnerships should not be viewed as an ultimate funding solution in the absence of other resources, but as a complement to existing and traditional sources of funding for service expansion, modernization, and infrastructure investment.[23]

Principle 2: Public-private partnerships should be structured to maintain the public interest: In the vast majority of circumstances, control and oversight of the public asset – the facilities and services provided to the public – must remain with an entity whose "client" is the public interest. Thus, the governmental or public entity that holds this responsibility must carefully evaluate the transfer of risk and concomitant transfer of control within a proposed public-private partnership to assure that these transfers bring commercial benefits and foster creative use of non-traditional resources, while maintaining sufficient control/oversight to assure the preservation and sustainability of the public interest.[24]

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[23] Schneider & Davis (2006): *Public Private Partnership in Public Transport: Policies and Principles for the Transit Industry,* www.ncppp.org, pp 5-8

[24] ibid

Principle 3: Public-private partnerships should be utilized as a strategy to achieve public goals: Public Private Partnerships are innovative means of implementing public sector objectives and executing public projects. Thus, public assets should not be sold, nor should concession, be granted to the private partners simply for the sake of general revenue enhancement- especially if the generated revenues are used for purposes other than for improving facilities and/or services. Partnership arrangement should be such that will improve public infrastructures.

Principle 4: Public-private partnerships are most effective in those cases where a long-term revenue stream can be assured: it is dangerous to assume that the private sector can be a viable source of funding when no tax or general revenues are available and no identifiable revenue stream exists. The reality, of course, is that the private sector can only be a useful partner in those cases where financing – as contrasted to funding – is the issue, or in those rare cases where capital invested at risk by a private partner has a strong probability of generating a long term return on that investment. In order for such a return to be generated, the presence, predictability and stability of a long-term revenue stream in mandatory[25].

Principle 5: Public-private partnerships should be based on constructive and beneficial sharing of risk: One of the key premises underlying public-private partnerships is the beneficial sharing of risks inherent in project development. This means that the public sector and private sector assume respectively those risks which each are best suited to accept. For example, a common risk allocation may be for the private sector to accept the risks inherent in the cost and timeliness of construction, while the public sector is more capable of accepting the risks associated with environmental clearance, public acceptance, and political leadership[26].

[25] ibid
[26] ibid

Principle 6: Public-private partnerships should be used constructively for increasing procurement flexibility and project effectiveness: There are many opportunities for maximizing the competitiveness and performance of capital or operating assets through creative utilization of private resources. Numerous examples exist that demonstrate significant cost and time savings owing to private sector involvement[27].

ESSENTIALS OF A SUCCESSFUL PUBLIC PRIVATE PARTNERSHIP

The essentials of a successful public- private partnership are those factors the absence of which can mar the successful implementation of a project. The presence of these elements will ensure that the objective of the partnership arrangement is achieved. These include:

- Early and comprehensive Preparation for Public/Private Partnerships- there may be to assess the capabilities of each partner, where necessary there should be the requisite legal framework to back up the arrangement.

- Create a Shared Vision- this vision would be the framework of the project goals and the benchmark for ensuring the realization of joint objectives. Vision should not just be created, they should be sustained.

- Understanding the Partners and Key Players. This involves a clear understanding of the goals and aspirations of the key players, for example the private partner is normally profit-driven. Key players also include the people to be affected by the partnership project, for example employees, land owners etc

[27] ibid

- Be clear on the Risks and Rewards for All Parties- various types of risk are potentially encountered in a partnership project, they include: market risk, interest rate risk, construction risk, performance risk and ownership risk.

- There should be a Clear and Rational Decision-Making Process

- Secure Consistent and Coordinated Leadership- mere change in government should not affect partnership arrangement.

- Thorough transparent partnership agreement

- A clear definition of the role and responsibility of each partner

- A tailored contract to fit local conditions and expectations

- Strong technical and financial commitment.

- Stable macroeconomic context

- Fair, transparent and predictable policy, legal and regulatory environment.[28]

In conclusion, public private partnership, a term hardly used by scholars 10 years ago, is now the subject of international conferences and debates. Though there is so much debates as well as argument as to its definition or scope, there is unanimity amongst all and sundry that it is an innovative means of national development. Governments all over the world, even traditional

[28] K. Siemefo (2008): Public- Private Partnership and sustainability: the Role of Biotropic GmbH, Opening World- wide Markets Contents, www.europ-innova.org/servelt/doc

communist regimes like China, Cuba etc, are now taking advantage of the potentials inherent in a public private partnership agreement.

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