



The importance of governance in PPP

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Setting the scene

- A growing number of PPPs across countries
- Challenges including a lack of public sector capacity, perceived institutional bias, and possible off budget temptations
- A need for focus on the governance aspects of PPPs in order to meet these challenges
- A need for recommendations that are ‘road tested’
- Importance of cross-fertilization across policy communities!

An important concern in OECD countries

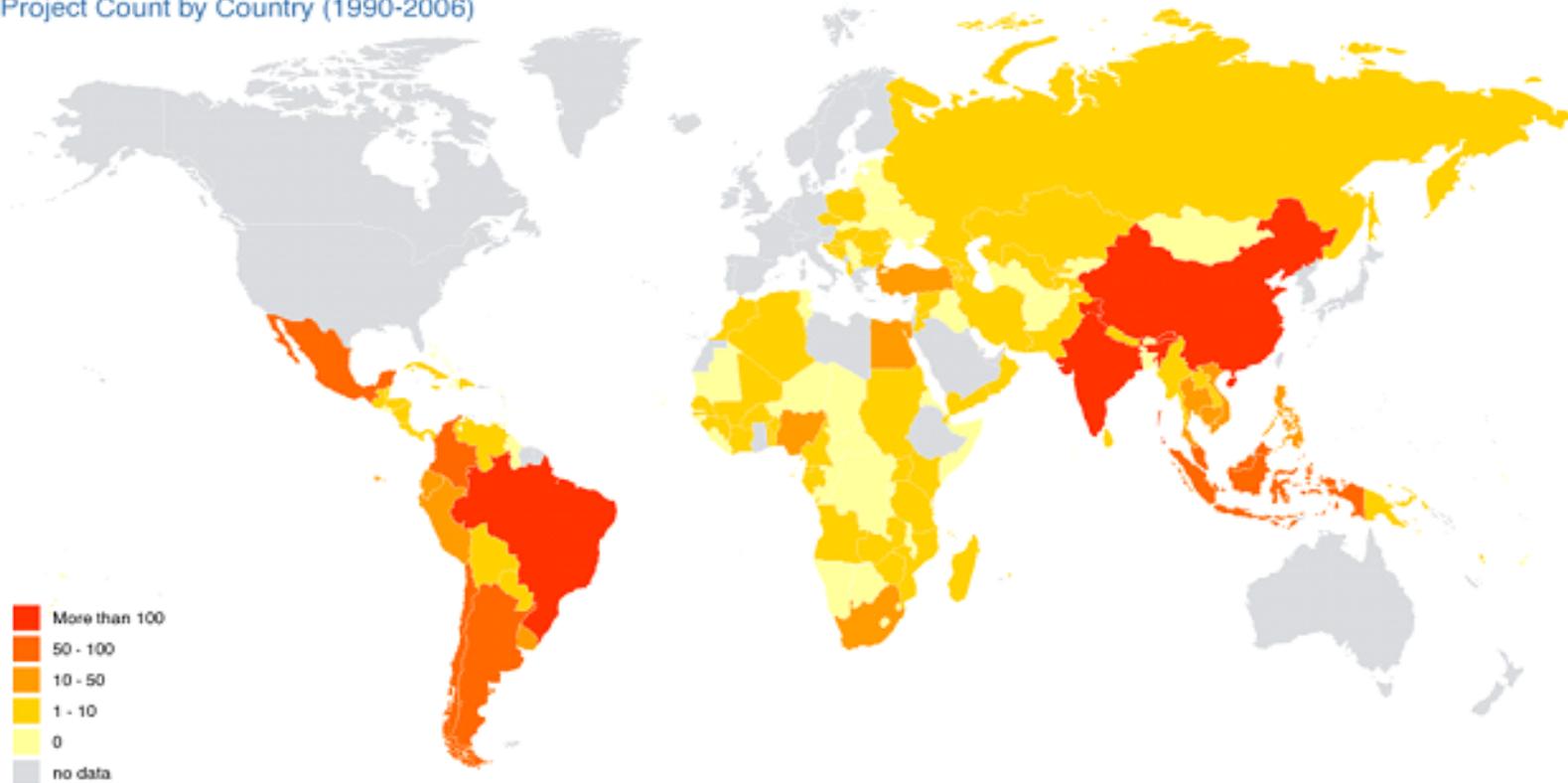
What percentage of public sector infrastructure investment takes place through PPPs?

Range	N	Country
0% - 5%	10	Austria, Germany, Canada, Denmark, France, Lithuania, Netherlands, Hungary, Norway, Spain
>5% - 10%	7	United Kingdom, Czech Republic, Slovak Republic, Greece, Italy, South Africa, Ireland
>10% - 15%	2	Korea, New South Wales
>20%	2	Mexico, Chile
Total	21	

Note: No responses for 15-20% band

PPPs are increasingly popular across the world

Project Count by Country (1990-2006)



Source: World Bank (Private participation in infrastructure [PPI] database)

Institutional bias?

... the **rules** in place **impede** attaining the maximum **value for money** by creating **incentives** to **prefer**:
traditional infrastructure procurement over PPPs?
or
PPPs over traditional infrastructure procurement?

Incentives to prefer one form of infrastructure investment over another?

	TIP over PPPs?	PPPs over TIP?
Yes, to a large extent	2	0
Yes, to some extent	5	1
No	9	15
Not enough data to make assessment	5	5
Total	21	21

Good and less good reasons for doing PPPs

Do the following make PPP more attractive in comparison to TIP?

	<i>The project generates debt that is not on the balance sheet of government</i>	The project requires high level of constant maintenance	The project requires a high level of service delivery performance	The project requires skills that are more readily available in the private sector, compared to the public sector
Yes	5	10	12	10
No	9	2	0	2
Sometimes	4	6	5	6
Not answered	3	3	6	3
Total	21	21	21	21

Recommendations

12 Recommendations under 3 headings:

- A. Establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities
- B. Ground the selection of PPPs in Value for Money
- C. Use the budgetary process transparently in order to minimise fiscal risks and ensure the integrity of the procurement process

A. Establish a clear, predictable and legitimate institutional framework supported by

competent and well-resourced authorities

- 1. PPPs need to be addressed at the highest level of policymaking and citizens need to be consulted ...
- 2. Entrust the procurement and audit of PPPs, as well as relevant regulation, to competent authorities ...
- 3. Ensure that the necessary resources and capacities are present in the public sector ...
- 4. Ensure that all significant regulation affecting the operation of PPPs is clear, transparent and enforced ...

B. Ground the selection of PPPs in Value for Money

5. All investment projects should be prioritised at the political level. The decision to invest should be based on a whole of government perspective and be separate from how to procure and finance the project ...
6. Carefully investigate which investment method is likely to yield most value for money (procurement option pre-test) ...
7. Transfer the risks to those that manage them best.
- 8 Value for money should be maintained ...
9. Value for money requires sufficient competition.

C. Use the budgetary process transparently in order to minimise fiscal risks and ensure the integrity of the procurement process

10. ... the Central Budget Authority should ensure that that the project is affordable and the overall investment envelope is sustainable.

11. The project should be treated transparently in the budget process. The budget documentation must disclose all costs and contingent liabilities. Special care should be taken to ensure budget transparency of PPPs covers the whole public sector.

- 12. Guard against waste and corruption by ensuring the integrity of the procurement process.



Thank you!

- For more information:

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