Public-Private Partnerships: Drivers for Civic and Social Infrastructure

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Public-Private Partnerships (P3) Defined

National Council for PPP - US

- A Public-Private Partnership is a contractual agreement between a public agency and a private sector entity.

- Through this agreement, the skills and assets of each sector 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.

PPP Canada

- Public – Private Partnerships are a long-term performance-based approach to procuring public infrastructure

- where the private sector assumes a major share of the risks in terms of financing and construction

- and ensuring effective performance of the infrastructure, from design and planning, to long-term maintenance.

A P3 is Not:

- Free
- A silver bullet
- An asset sale
- The privatization of a public asset

What is a P3 Transaction

Under a traditional municipal finance approach, a public entity will design, construct, finance and operate its own assets

Under various forms of P3, the public entity will contract with a private party to take on some or all of the traditional government roles

Entering into a P3 involves a shifting of risk, responsibility and potential benefit from the public to the private parties

Service Delivery Spectrum*

* "Tapping Private Financing and Delivery to Modernize America's Federal Water Resources", Harvard Kennedy School, January 2017

Objectives of a P3

- Maximize the ability of public sponsors to leverage existing revenue sources.
- More effective use of existing public funds.
- Accelerate projects into construction compared to traditional delivery methods.
- Transfer Risk to Private Sector
- Capture Private Sector Innovation
- Create Competitive Tension to Drive Value
- *Promote Life Cycle Efficiencies/ Performance*

Civic and Social Infrastructure

Health	•Medical Facilities •Ancillary Infrastructure (offices / training facilities)
Education	•Schools, Colleges, Universities •Tertiary Facilities •Student Housing
Housing	•Military Housing •Low Income Housing
Civic & Utilities	•Community and Sports Facilities •Local Government Facilities •Waste and Wastewater Facilities
Transportation	•Military Housing •Low Income Housing
Corrections & Justice	•Prisons •Courthouses
Energy	•Energy Efficiency / Renewable Energy •Combined Heat and Power (Co-Gen) Plants, Power Plants •Smart Grid / Smart Grid

Value for Money Analysis

- Value for money has been demonstrated when the P3 approach results in a lower overall cost than the public sector alternative
- When the P3 approach does not demonstrate value for money, agency has a number of options:
  - Proceed with public sector approach
  - Assess P3 costs and modify agreement to mitigate main drivers of higher cost through risk sharing & scope reduction

THANKS!

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