



Public - Private Partnership

Structure and Role of CMA's

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Public-Private Partnership (P3)



What is P3

- **Public-Private Partnership is a co-operative venture for the provision of infrastructure or services, built on the expertise of each partner that best meets clearly defined public needs, through the most appropriate allocation of resources, risks, and rewards.**

Concept & Definitions

- **A contractual arrangement under which service or business venture is funded and operated through a partnership between government and one or more private sector entities.**
- **A contractually established entity which benefits from the respective strengths of public and private partners to provide a public good and /or service**

Concept & Definitions

“In legal terms, there is no definition of a PPP, it is still a “ working concept”

Rationale

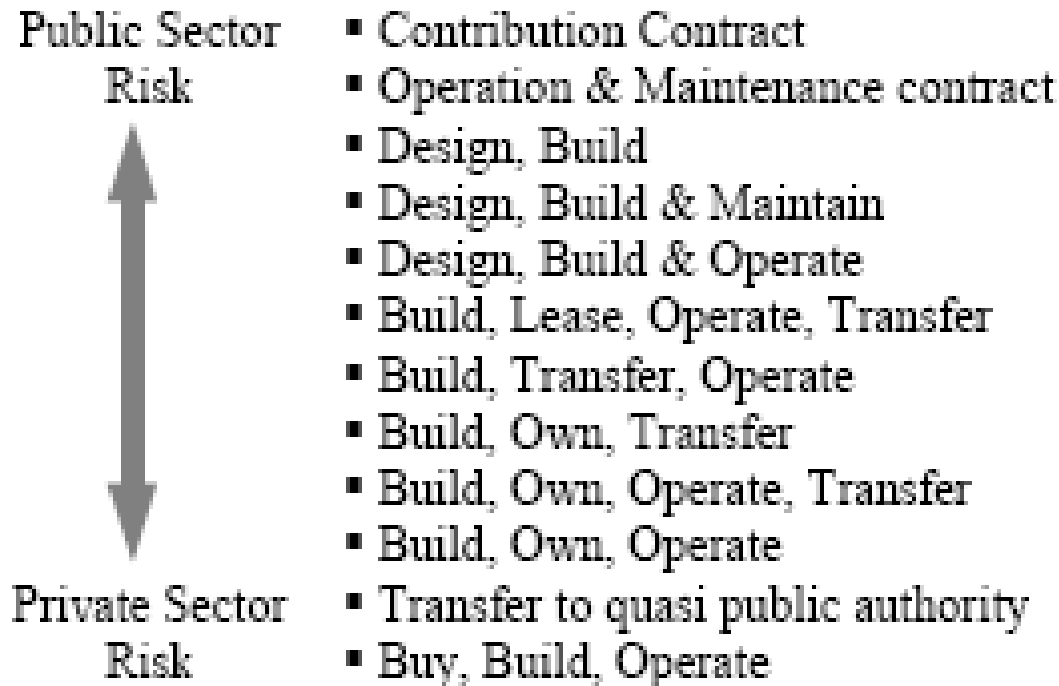
- **Need for Provision of Enhanced Social Services**
- **Insufficient Public Financial Resources**
- **Inefficient Public Service Delivery**

Four Basic Dimensions of P3:

- **Shared goals**
- **Shared resources**
- **Shared risks**
- **Shared benefits**

P3 and the Risk Transfer Continuum

Public-Private Partnerships Organizational Options & the Risk Transfer Continuum



Potential Benefits

- **Cost effectiveness**
- **Higher productivity**
- **Customer focus**
- **Enhanced social service**
- **Opportunities for mobilisation of additional resources**
- **Mitigates and properly allocates risks**
- **Reduce burden on taxpayers**

Key Features of a “Good” PPP Project

- A contractual arrangement between the public sector and a private entity to provide a public service (not an asset) based on:
 - Substantial **risk transfer** to the private sector;
 - An **output specification** stating the desired output quality and quantity;
 - **Performance related rewards** (payment depends on standards being met); and
 - **Whole life costing** (a balance between construction and maintenance costs).

Lesson Learned

- **The reason for using P3 must be justified**
- **Clear criteria for partner selection**
- **Selection process should be competitive, impartial, and transparent**
- **The role and responsibilities should be clearly defined and fully communicated**

Lesson Learned

- **The commitment for the project should be demonstrated by all partners**
- **A reasonable and fair share of resources and risks and mutual benefits**
- **A systematic management framework**

Life Cycle Costing

- **Life cycle cost: ‘the cost of an asset, or its parts throughout its life cycle, while fulfilling the performance requirements’**
- **Life cycle costing: ‘methodology for systematic economic evaluation of life cycle costs over a period of analysis as defined in the agreed scope’**

Life Cycle Costing

PPP projects are awarded on the basis of lowest total cost over the concession period compared to lowest construction cost under traditional model.

- an economic evaluation method
- that accounts for all relevant costs
- over the investor's time horizon
- adjusting for the time value of money where appropriate

LCC is simple

LCC asks these simple questions:

- **What do I need now and how much will it cost me?**
- **What will I need to do in the future because I have done it and how much will that cost me?**
- **How long is the ‘future’?**
- **How do I evaluate future costs Vs current costs?**

Role of Cost Accountants in P3s..

Cost & Management Accountants are the key drivers within P3 projects structure.

- **Help to select the effective Model of P3s to Maximize the objective.**
- **Possess business and commercial expertise for carrying out cost benefit analysis of a range of solutions offered by the bidders.**
- **Assist in project cost estimation**

- **Help to structure Complex arrangement & Contracts that Guarantee and secure the cash flows**
- **Help to ensure optimum use of available resources**
- **Assist in evaluation of procurement cost under different alternatives.**
- **Identify appropriate mechanism for compilation, accumulation and assignment of P3 project cost.**
- **Help P3 in Process Management and Risk Management through effective cost Model**
- **Provide support in monitoring and tracking of P3 project cost for avoiding time and cost overruns.**

PPP – Skills required by CMA's

- **Financial Modeling & Econometrics**
- **Flow Charting & Process Mapping**
- **Value Chain Analysis**
- **Enterprise Risk Management**
- **Adaptability to emerging Business Structures & Processes**
- **Keen Eye for inefficiencies & wastages**
- **Understand Sustainability & integrated Reporting**
- **Managing Cost Information in IT Environment**
- **Assist in Viability Gap Funding**

THANK YOU