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WORKING PAPER SERIES

Public Private Partnership Units

Michael Regan

Working Paper WP 204 June 2012

This is a draft research paper that is work-in-progress. Comments, suggestions, criticism and contributions are welcome and will be acknowledged. Responsibility for errors, omissions and related misdemeanours rests with the author.

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Abstract

Public private partnerships (PPPs) are an alternative method for government procurement of infrastructure and are employed widely throughout the world to delivery better procurement performance and improved delivery of public goods and services. As a specialised form of procurement for delivering large, complex and highly networked infrastructure assets, PPPs require enabling policy frameworks, expertise in the selection, analysis, negotiation and delivery of projects and a good understanding of long-term contract management. In developed and developing countries, PPP policy is managed by PPP units formed within a central policy-making agency of government. PPP units require experience and technical skills across a number of disciplines, personnel must possess a good understanding of commercial issues and capital markets, and the unit must work collaboratively with line agencies to achieve PPP policy objectives.

This paper surveys international best practice for PPP units and finds that the effectiveness of PPP programs is improved with a well-designed PPP unit located in Treasury or a major agency of government and which is equipped with a wide charter, highly-skilled procurement specialists with strong transactional experience. The major challenges for the PPP unit include building capacity within government, cultivating a competitive bid market, developing a project pipeline, provide oversight and assistance to agencies and serve a technical support role within government. Countries that can design their PPP agencies to meet these objectives are more likely to have an effective PPP program than those countries that do not.

Public Private Partnership Units

Public private partnerships (PPPs) are a form of specialised infrastructure procurement in use in over 130 countries worldwide. The PPP procurement method is one of several new methods that have appeared in the past 20 years in response to systemic failure in government delivery of public infrastructure (Latham 1994, Levene 1995, Department of Trade and Industry 1998). The poor procurement practices of earlier years included systemic optimism bias, late delivery of projects, higher costs, and low stakeholder and user satisfaction levels. As a centrepiece of the reform of public procurement in Britain, PPPs were introduced in 2001 as part of a wider Private Finance Initiative (PFI) policy and were adopted in Australia shortly afterward. In Australia, the build own transfer (BOT) procurement model was employed by federal, state and local government from the mid-1990s and several early infrastructure undertakings in Victoria (Citylink) and New South Wales (Sydney Harbour Tunnel). Early transactional evidence suggested private investment in infrastructure improved the rigour of major project procurement, led to greater innovation and new technology, and significantly improved value for money outcomes for government (National Audit Office 2001, 2003; Fitzgerald 2004).

The PPP programs employed in the Australian states from 2001 introduced systematic project evaluation, the requirement for detailed business case, the identification, measurement and transfer of project risks, value for money bid evaluation methods and lifecycle costing.¹ These were significant advances in the process of delivering better infrastructure in the form of improved public goods and services. The introduction of improved rigour in the procurement process led to improvements in procurement practice

which were transferred to traditional government procurement policy with the Gateway programs now employed in the Commonwealth, states and territories. The benefit of these changes has been our improved understanding of major project procurement and significant improvement in procurement outcomes (Regan, Smith and Love 2011) and more efficient delivery of public goods and services (National Audit Office 2005).

As a specialised method of procurement employing many practices new to government agencies, a specialised approach to PPP policy and project implementation is necessary. In most countries, this has taken the form of a dedicated PPP unit staffed by experienced practitioners and located close to the major policy institutions of government. In OECD countries, PPPs are generally managed under policy frameworks that operate independently of traditional procurement laws and policies. In federal constitutions such as Australia, PPP policy is generally administered by the states and territories and its implementation is managed within central policy-making agencies of government such as State Development, Treasury and Finance or Infrastructure and Planning.

PPP units provide assistance to line agencies in the selection, prioritisation, development and implementation of PPP projects. In developing countries where the institutions of government may be less well developed, most PPP policies are given statutory form and a dedicated PPP unit is created to assist the implementation of policy and provide technical and financial assistance to line agencies to assist project analysis, development and implementation.²

Functions of the PPP Unit

The World Bank defines a PPP unit as any organisation designed to promote and/or improve public private partnerships that has a lasting mandate to manage multiple PPP transactions in response to government failures (poor procurement incentives, lack of coordination, high transaction costs, lack of skills and information). The PPP unit may control the total number of public private partnership projects and ensure that projects fulfil specific quality criteria, or it may function as an advisory and coordination with responsibility for assisting line agencies with project implementation. Further, the unit's role may include PPP policy and strategy, project identification, project analysis, transaction management and contract management, monitoring and oversight (World Bank-PPIAF 2007). In some jurisdictions, it may have a more formal role as an approval agency for the gateway development of projects.³ The World Bank generally takes the view that PPP units are designed to compensate for an inability to deliver PPP projects using the existing machinery of government which is largely the case in developing countries (World Bank-PPIAF 2007, p. 25). However, in OECD countries, PPP units are generally viewed as specialist resource centres designed to build capacity in line agencies and implement PPP projects that meet policy criteria.

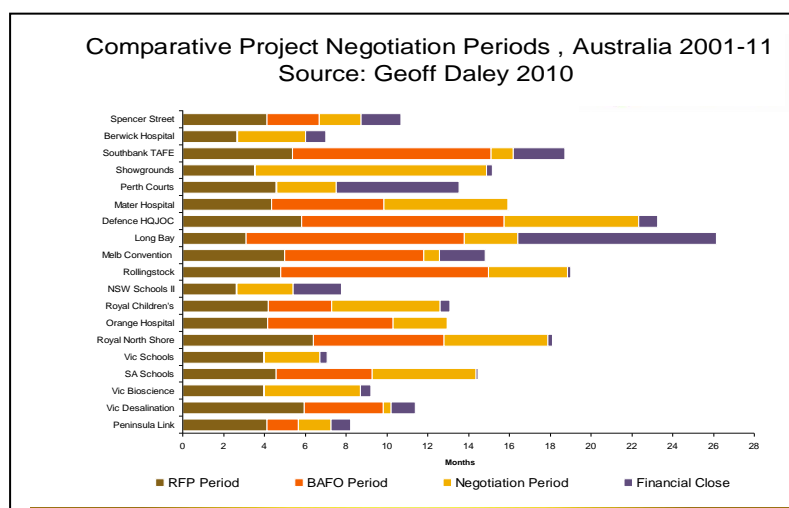
The independence of a PPP unit is an important instrument of governance that ensures line agencies do not use PPPs to circumvent formal budgetary constraints. PPPs are not an off-balance sheet alternative to traditional procurement and an effective PPP unit will provide fiscal oversight and compliance with the government's overall fiscal policy objectives and management. An independent PPP unit may also serve as a central coordinating agency for infrastructure planning and program management. This is important in avoiding "hold up" risk, the major cause of high transaction costs in PPP projects (see Figure 1). In Queensland, the

location of the PPP project implementation agency within the office of the Coordinator General, Department of Infrastructure and Planning, meets this requirement.

PPP units draw their expertise from personnel in the public and private sectors. In Victoria, private consultants were used to assist the drafting of policy guidelines 2001-03 and with the exception of advisory and legal services; most project implementation services are provided in-house. The development of in-house capacity to deliver complex PPP projects is also the preferred approach in South Africa, South Korea, Portugal and the Philippines.

A study of PPP units by the OECD identified six core functions of the PPP unit: policy guidance, “green lighting” projects, technical support, capacity building, PPP promotion and PPP investment (OECD 2010, p. 3). The role of a PPP unit is also that of ensuring that the PPP program is meeting the state’s objectives, that transactions are achieving value for money and comply with standards of good governance. The World Bank-PPIAF study (2007) identified a correlation between the scope of functions of the PPP unit and the effectiveness of the national PPP program (see Figure 2).

Figure 1 Hold Up Risk in PPP Projects

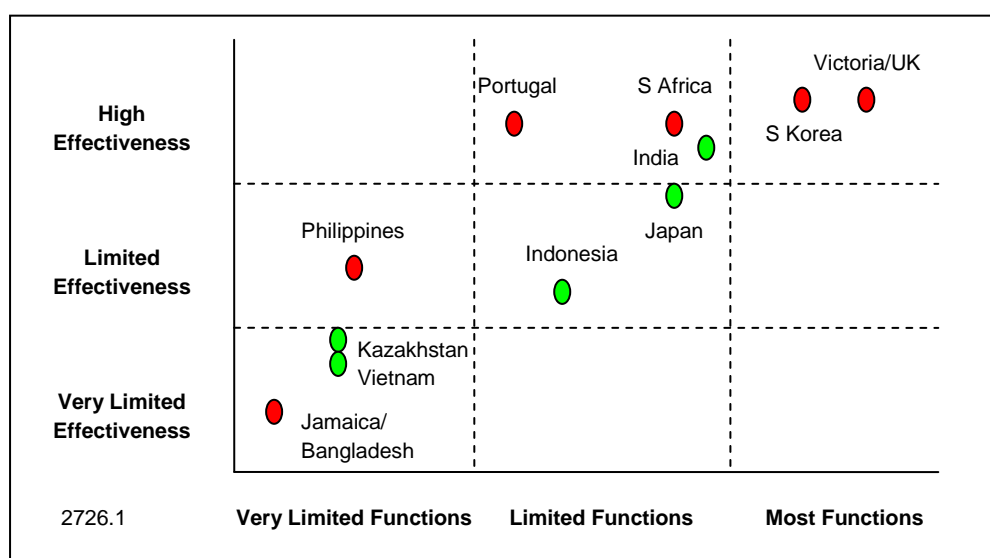


PPP units are a key component of the PPP project implementation process. In OECD countries, PPP units are designed as resource centres and staffed by practitioners with both infrastructure and PPP project experience. Frequently, senior appointments within the unit are offered to experienced private sector executives with wide transactional experience. As a highly specialised form of project procurement, PPPs are exempt from conventional procurement laws and policy. The unit offers agencies information, guidance and expertise in matters that may include:

- A sound understanding of policy procedures and methodologies
- Expertise in private participation in infrastructure
- Business case development, evaluation and financial modelling
- Risk analysis and risk allocation

- Project finance
- Negotiation skills
- Standardisation of procedures and templates
- Assistance with stakeholder consultation and management
- Financial assistance with early-stage project development and consultants
- Contract management and regulation of long-term contracts
- An executive approval or post-commissioning review role
- A data base of information
- Agency staff professional development and training.

**Figure 2 World Bank-PPIAF Study 2007
PPP Unit Scope and Program Effectiveness**



PPP units function as the coordinating agency for both policy dissemination and the rollout of projects. Nevertheless, there is no standard specification for a PPP unit and they are mostly designed to fit within the institutional framework of each country. They are most frequently attached to an agency close to the policy-making centre of government although practices vary widely throughout the world. In the United Kingdom, the functions of a PPP unit are provided by three institutions. Partnerships UK provides assistance to line agencies about policy application, transactional and project management matters, H.M. Treasury provides policy guidelines, and the Office of Government Commerce provides technical information and training information about matters such as business case analysis, life cycle costing and risk analysis and weighting. The functions of the three agencies overlap.

In the state of Victoria, PPP policy is implemented by the Commercial Division of the Department of Treasury and Finance and projects are selected, developed and managed by line agencies with Departmental oversight. A similar approach is applied in New South

Wales. Prior to April 2012, projects in Queensland were delivered through the Coordinator-General as head of the Department of Infrastructure and Planning, now the Department of State Development, Infrastructure and Planning. Projects in New South Wales and Queensland are selected, evaluated and implemented by line agencies with PPP unit oversight (see Diagram 1). Similar practices apply nationally and in the other states and territories. In 2008, Australia adopted a national PPP policy which consolidates various policy models operated in the various national, state and territory jurisdictions. However, each jurisdiction has discretion to vary policy to meet specific regional requirements (Infrastructure Australia 2009, pp. 39-44).

As a general rule, the work performed by a PPP unit is designed to successfully implement a government PPP program. This may include direct participation in policy design and implementation, the provision of financial and technical assistance to line agencies to enable them to undertake their own projects or a combination of these roles. The specific activities undertaken by PPP units may include:

- The preparation of policy and procedural guidelines. In some cases, this may include delegated legislative and/or regulatory powers
- Assistance with project selection and analysis to ensure projects meet policy requirements governing value for money, risk transfer and the affordability of future availability payments. This may include an approval role as the project is developed through a number of specified “gateways” set out in the policy.⁴
- Management of transactions including assistance with contract design, management of the bid process and contract management
- Provision of oversight to ensure agencies and sub-national governments comply with reporting, accounting and governance standards
- Coordination of the PPP project pipeline to avoid tension between the government’s project delivery strategy and the capacity of private bidders to absorb the work flow. Labour market constraints in particular require regular phasing of projects to balance optimal capacity utilisation with skills retention in the market⁵
- Provision of grants to line agencies and sub-national governments to assist early project development and meet the cost of specialist advisers and consultants
- Creation of a resource centre for the identification of pre-qualified transaction advisers and in developing countries, provision of technical information, introductions to multilateral institutions, international private investors and financiers.⁶

There are three further roles for the PPP unit. Firstly, to assist line agencies and sub-national governments to develop their own in-house capabilities for project implementation over time. Secondly, to provide specialist training to assist line agencies acquire greater understanding of the PPP procurement option and acquire specialist skills in areas such as contract negotiation. Thirdly, to conduct post-implementation reviews and build a data base of transactional experience and lessons learnt to assist further refinement of the policy and assist capacity building at the agency level.

International Experience

Recent international studies have examined the operation of PPP units in a number of developed and developing countries (World Bank-PPIAF 2007; Economist Intelligence Unit 2011; OECD 2007, 2010; Farrugia et al 2008)⁷. A recent study by Mahalingham, Devkar and Kalidindi (2011) surveyed the performance of PPP coordination agencies in India. The conclusion reached by these studies that there is no “one size fits all” solution for every nation and PPP units need to be developed to meet the distinctive institutional and policy characteristics of a national government. In some countries, it is necessary for the PPP unit to have executive authority embedded in law to provide the direction and manage policy implementation. In others, the PPP unit has an advisory role within Treasury or another agency of government to provide assistance to line agencies. In others, the PPP unit may provide an intermediate role that includes limited executive powers of approval and the facilitation of projects for line agencies which undertake the “heavy lifting” of project selection, measurement and bidder selection. In Victoria and Western Australia, Treasury and Finance agencies and Treasury Corporations provide dedicated training for line agency staff in areas such as project procurement, risk and contract management.

The World Bank-PPIAF study found a high positive correlation between the success of a country’s PPP program and effective PPP units designed to correct institutional weaknesses of the host government’s (World Bank-PPIAF 2007, 4, 29-30) (See Diagram 2). Other characteristics linked to the effectiveness of PPP units include:

- Political leadership and support
- Complimentary institutional frameworks including a regulated capital market, public governance and effective measures against corruption
- Friction and dysfunction between government agencies (World Bank-PPIAF 2007, 8).

Other lessons learnt about the design of PPP units:

- The authority given to the PPP unit must match the expectations placed on the unit
- The unit should be placed in a central decision-making arm of government. In western government experience, this is typically the Department of Treasury and Finance (World Bank-PPIAF 2007, 8; Economist Intelligence Unit 2011, 12-14).

A recent study by the Economist Intelligence Unit (EIU) examined the institutional frameworks in operation in 16 Asia Pacific countries. Countries that scored highest in the survey were those with strong state institutions and effective PPP units. The study found that new PPP units have been, or are in the process of being established in Japan, Bangladesh, Indonesia, Kazakhstan, Mongolia, Pakistan and Papua New Guinea. The Philippines recently relocated its PPP unit while Indonesia is currently developing a new entity within its Ministry of National Development Planning, Bappenas. Thailand and Vietnam recently launched inter-ministry taskforces to develop the PPP agenda, and India has the powerful ministerial-level Committee on Infrastructure, with the Planning Commission and PPP Unit of the Department of Economic Affairs supporting development and execution of projects (EIU 2011, p. 14).⁸

In OECD countries, PPP policy most often takes the form of a policy with supporting guidance materials. In developing countries, PPP policy frequently has a statutory foundation which includes the establishment of a PPP unit as a division of an existing line agency (The Philippines, Mauritius) or a new agency that assumes responsibility for policy and project implementation (Indonesia). PPP policy is generally put in place by national governments (Britain, Australia, South Africa, Germany and Korea). In Australia, Canada, Japan and China, most PPP projects are delivered by provincial and local government agencies (Economist Intelligence Unit 2011; OECD 2010, 50).

The Evidence

The evidence from nearly 20 years of international PPP experience suggests that PPP programs are most effective when they are implemented and managed by a competent PPP unit equipped with the authority, the technical and financial resources to manage both policy rollout and project delivery through an advisory and oversight role with responsible line agencies. The effectiveness of PPP units is positively correlated with the unit's continuing engagement with the project, particularly the development of skills in line agencies and a review and approval role as the project is developed through to implementation. The effectiveness of the PPP unit is also dependant on political support and a regular flow of projects to maintain a skilled and competitive bid market. As a mature PPP market with stable and efficient institutions of state, Australia should be well positioned to operate effective PPP units and deliver "best practice" projects. However, the performance of the commonwealth and state governments in PPP delivery is far from uniform. The stand-out PPP programs occurred in Victoria and New South Wales both recognised internationally as best practice templates. South Australia and the Commonwealth have delivered a small number of challenging and complex projects and in Queensland and Western Australia, the project roll-out as a component of public capital expenditure since 2001 has been negligible.

In Queensland, four PPP projects have been delivered, The Southbank Institute, The Clem 7 Toll Road, the Airport Link Toll Road and the South East Queensland Schools projects. Earlier BOT projects fared less well with the state takeover of the Sunshine Coast Motorway project in 1987 and withdrawal from market of the Tugun Desalination PPP project in 2007. In Australia, a perception exists that the Queensland government and its agencies has an ambivalent attitude toward private infrastructure investment generally and PPP procurement in particular. Queensland also experiences considerable hold-up delays between project announcement and commissioning which reflects in part the complexity of the projects selected and also the need to reconfigure projects in the post bidding stage when bids do not meet agency expectations or anticipated value for money outcomes (Daley 2010, see Figure 1).

Queensland has been the only Australian state to implement a finance guarantee support scheme (the supported debt model) similar to the capital guarantee fund trialled in the United Kingdom in 1999-2001. This scheme was designed to ensure value for money outcomes by making low-cost state debt available for PPP projects. The effectiveness of this approach is examined in McKenzie (2008). A survey of the market in 2009 suggests little market interest in the supported debt model (IAQ and Bond University 2008). Investor concerns stem from the need for consortia to build more equity and mezzanine into capitalisation to support the loan valuation ratio-capped state debt contribution which increases rather than reduces

average cost of capital, the removal of the revaluation and refinancing option at an early stage of the project and the rigidity that a longer-term state loan imposes on consortia. Further disadvantages include the loss of capital market discipline and its replacement with a state agency ill-prepared for supervision of an arm's length commercial borrowing arrangement, and the opportunity cost of capital market financial innovation that has played such a prominent role in supporting private investment in infrastructure in recent years (Regan 2008).

The major difficulty with PPPs in Queensland has been a lack of an independent and specialist PPP unit located in Treasury and a long-term plan for the regular rollout of projects well suited to the PPP method of procurement. Typically, these are projects that are challenging and complex, adaptable to long-term incomplete contracts and capable of delivering value-for-money benefits over traditional procurement methods. Value for money is achieved with risk transfer, design and construction innovation, new technology and improved services. Difficulties with the PPP market in recent years include insufficient deal flow to support a competitive bid market, forecasting error and misallocation of market risk with transport projects and both the cost and availability of project finance. In the Queensland market, only four transactions have been approved following the setting up of a PPP office in 2003, two in social infrastructure (Southbank Institute, South East Queensland Schools) and two toll road projects (Clem 7 and Airport Link).⁹ In the past 8 years under the South East Queensland Infrastructure Plan and Program, Queensland has invested around 8% of gross state product (GSP) in economic and social infrastructure, the highest of any state government since the 1950s but with a negligible PPP component. This suggests and reflects a lack of political and executive support for PPP procurement in Queensland.

The Australian Experience

International experience suggests that for optimal effectiveness, a PPP unit should be located to a central policy-making and management arm of government. This is often the Department of Treasury and Finance (Victoria, South Australia and Western Australia), the Department of Infrastructure (Commonwealth, Queensland) or a dedicated agency such as the Department of State Development, Infrastructure and Planning (Queensland).

The uniform national PPP policy framework adopted by the Australian Government in 2008 applies a generic policy and guidance approach that was adopted by the Council of Australian Governments and state and territory governments. Each state and territory may modify the framework to adjust for policy and administrative differences between jurisdictions. Project selection, development and implementation are managed by line agencies in consultation with dedicated PPP units who provide technical assistance as required. In those states with extensive PPP experience, particularly in New South Wales and Victoria, line agencies have developed significant in-house capabilities in project implementation which accelerates delivery times and minimises costly hold-up delays that add significantly to bid costs.

Experience in the Australian states also suggests that the PPP unit has an important role in communications with PPP projects with the bid market, between line agencies and between line agencies and stakeholders which also include special interest groups and affected parties. The important coordination work of a centrally based PPP unit also includes setting

up and regulating the PPP project pipeline to ensure a competitive bid market and avoid capacity constraints in the wider economy and an information role that includes briefings to the market about forthcoming projects and managing deal flow to avoid capacity constraints in the wider economy. In Australia, PPP units are well positioned to anticipate skills shortages in the construction and engineering professions, supply problems in capital markets and adjust policy to deal with market concerns about excessive bid costs that may affect depth in bid markets and subsequently, competition. The communications and coordination role performed by a PPP unit could not be done effectively by individual line agencies.

The Challenges

In setting up a PPP unit in government, the key policy considerations concern the location of the unit, responsibilities and authority, and the design of a best practice framework for oversight of sub-national government transactions.

1. Location of the PPP Unit

As an agency dependant on political support for its objectives, the PPP unit should be located close to the central policy-making institutions of government. The World Bank and PPIAF study identifies a correlation between PPP units located in the Treasury and Finance Department and PPP program success (World Bank-PPIAF 2007, p. 67; EIU 2011, pp. 13-14). In those countries where the PPP unit is an independent agency or located in a line agency, PPP programs are generally less successful (World Bank-PPIAF 2007, p. 68). The departmental structure of the Queensland Government offers an alternative with the Department of Infrastructure and Planning headed by the Coordinator General. This provides opportunity for the PPP unit to participate in major state infrastructure-decision making and the early identification of prospective projects for PPP procurement.

2. Responsibilities and Authority of the PPP Unit

International experience indicates that the responsibilities and authority of PPP units should be designed in response to the prevailing institutional framework. Where this is comprehensive and effective, as is the case in Britain, Canada and Australia, the PPP unit does not need authority to override line agencies in matters of project selection, prioritisation and implementation. In OECD countries, the PPP unit should be given a budget to recruit and train PPP experts, assist line agencies with advice and grants to develop their project pipeline, and implement training programs to develop in-house technical and project management capability across government. Additionally, the PPP unit should be equipped to manage policy governance and assume oversight of inter-agency liaison, coordination and project delivery. This may require implementation of a “gateway” project approval system. The countries with the most successful PPP programs are those in which the PPP unit exercises most policy functions (World Bank-PPIAF 2007, p. 59; EIU 2011, p. 13-14).

In line with authority to play this role, the PPP unit should also comply with a robust and transparent reporting framework, meet probity and disclosure standards and observe full transparency in relation to project negotiation and documentation. PPP units are well placed

to design and implement measures designed to minimise transaction costs including standardised commercial principles, contracts and procedures.¹⁰

PPP units should also be given sufficient capital to assist agencies with project development funding or to provide technical assistance to assist with project implementation. This latter work may include pre-feasibility and business case studies, bid market liaison work and initial work on the public sector comparator (World Bank-PPIAF 2007, p. 70). Location within Treasury and Finance Departments is a decided advantage here. In India, the rapid rollout of national PPP policy in the past 10 years is attributed to the design of the PPP unit as a financial institution. With a strong multi-disciplinary policy advisory group, the unit is well placed to provide equity and debt capital to support PPP transactions.

3. Oversight of Local Government Transactions

Australian PPP policy is exercised by state and territory governments. In most jurisdictions, local governments are not permitted to enter into PPP transactions without prior approval of the state Minister for Local Government. Few significant PPP projects have been implemented by local government agencies or government business enterprises (GBEs). The largest example is the \$3 billion Clem 7 toll road in Brisbane. Nevertheless, build own transfer (BOT) contracts are commonly employed by local governments, state business units and statutory corporations for the provision of economic and social infrastructure outside PPP policy. BOTs at local government level accounted for nearly all of the 861 private infrastructure projects in Japan in 2011 and a significant value of PPPs in China. The distinction between private participation in infrastructure (PPI), BOT and PPP projects is essentially whether or not the project has been delivered under PPP policy with oversight by a PPP agency.

A number of local government bodies in Australia have the financial and technical capacity to deliver PPP projects under national policy guidelines. In Queensland, the Brisbane City Council (Clem 7) and Gold Coast City Council (Rapid Transit) have experience with complex and privately financed PPPs. Other regional governments, statutory corporations and government business enterprises have experience in BOT projects for waste management and recycling, road repairs and maintenance, water supplies, information technology services, transport infrastructure including airport and port facilities. In India, Pakistan and Indonesia, provincial and local governments have entered in PPP arrangements for the delivery of roads, water supplies, energy plants, port facilities and public housing including cooperation agreements involving two and three local government bodies for the delivery of water supplies and recycling services. In Queensland, the wider extension of PPP policy to local government agencies with coordination and oversight by a dedicated PPP unit in Treasury remains an open policy question for the future. Extension of the PPP program to local government has been successfully achieved in the United Kingdom, Canada and South Africa (World Bank-PPIAF 2007, p. 66).

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ENDNOTES

¹ The PPP approval process requires agencies to undertake comprehensive analysis of projects prioritised for PPP delivery. This involves identification of the service need and preparation of an output specification, cost benefit analysis then preparation of a business case, assembly of the project team, preparation of a procurement plan and timetable, stakeholder consultation, the evaluation of procurement alternatives, construction of a risk-weighted benchmark or public sector comparator selection, agency and ministerial approvals at predetermined steps in the implementation process, the conduct of a competitive bid process requiring pre-qualification in an expression of interest stage then bidder selection through an invitation to bid process, bidder selection and negotiations for the PPP contract and creation of the *ex post* contract management framework (Partnerships Victoria 2001, p. 14).

² In World Bank and Public Private Infrastructure Advisory Facility 2007, *Public Private Partnership Units: Lessons for their Design and Use in Infrastructure*, World Bank, Washington.

³ Gateway refers to the approval points in the progressive development of a PPP project within government. The PPP process may require agencies to select a project against specified criteria and then conduct a detailed analysis of the project. This is then submitted for gateway review by the PPP unit before proceeding to the next gateway stage, which may take the form of a procurement options analysis, the preparation of a lifecycle costed traditional procurement benchmark (the public sector comparator), the bid process and bid evaluation criteria, negotiations with the successful bidder, contract and financial close and the commissioning of a contract management framework. A Gateway procedure imparts rigour to the procurement process and imposes oversight at key stages in project implementation. The gateway process is now employed widely in OECD countries for alternative procurement methods and is largely responsible for the rapid improvement in government project procurement performance since 2001 (National Audit Office 2003a, 2003b).

⁴ Partnerships Victoria requires PPP unit and/or cabinet approval or consultation at the finalisation of the business case, the bid process, selection of preferred consortium, upon conclusion of final negotiations and contract/financial close with public announcement (Partnerships Victoria 2001). The Gateway Program employed by the Victorian Government requires independent approval of agency project proposals at the strategic assessment stage (establishing the service need), on finalisation of the business case, to approve the procurement strategy, the tender decision, project commissioning and *ex post* benefits evaluation (Department of Treasury and Finance 2004).

⁵ Private sector capacity refers to the ability of private firms to respond to a regular flow of transactions offered in a competitive market with the labour skills, the access to finance, the management capabilities, design and construction innovation, and the capacity to accept and manage public sector risk transfer. Many of these conditions are beyond the control of private firms such as labour market rigidities, lack of trade skills, the level of development of capital markets and the availability of medium and long-term project finance.

⁶ The World Bank and PPIAF view PPP units as having one or more of 5 basic functions: Development of PPP policy and strategy, project origination, analysis of individual projects, transaction management, contract monitoring and enforcement (The World Bank-PPIAF 2007, p. 26).

⁷ See also Sanghi, Sundakov and Hankinson 2007.

⁸ China is distinctive in the Asia Pacific in its lack of PPP-specific institutions with projects delivered through the same provincial government agencies as traditional procurement (EIU 2011, p. 14).

⁹ A number of build own transfer (BOT) projects have been undertaken although these are not considered as PPP projects in the health sector (hospital car parks), statutory authorities and government business units (student accommodation, and local government (waste management, sewerage treatment works, road repairs and maintenance).

¹⁰ Standard commercial principles under the National PPP Guidelines includes: tenure and contract term, site access, planning approvals, service specifications, payment methods, change in law, force majeure, dispute resolution, refinancing, contract term, termination, default and payment on termination, insurance, change in contract, regulatory framework and record keeping (Infrastructure Australia 2009, Commercial Principles for Social Infrastructure).