

Water and electricity distribution. Operational performance gains by PPPs.

- **Increase in connections:**

Water: 12%

Electricity: 19%

- **Increase in daily water service: 41%**

- **Increase in bill collection rates: 45%**

- **Increase in labor productivity:**

Water sold pr. worker: 18%

Electricity sold pr. Worker: 32%

- **Decrease in employment: 24%**

- **Reduction in electricity distribution losses: 11%**

- **Reduction in child mortality rate (Africa): 36%**

Cost and Time Overruns

- UK average cost overrun- conventionally produced projects= **168%**
- Average cost overrun- 400 PPP projects=**0%**
- Average number of projects overrunning on time conventional=**75%**
- Average number PPP=**25%**
 - Most of these a few weeks
 - All because of changes in requirement by Public sector

POTENTIAL ADVANTAGES OF PPP FROM THE PUBLIC PERSPECTIVE

- Acceleration of infrastructure provision due to private investment when public capital may be constrained.
- Faster project implementation due to significant incentives provided for in PPP.
- Reduced construction cost.
- Reduced whole life costs for the project.
- Optimizing of risk allocation saving considerable costs.
- Improved quality of infrastructure services.
- Application of up-to-date technology, know-how and private sector innovation.
- Training of national personnel.
- Benchmarking national infrastructure administration and budgeting against competitive standards of private management.
- Possible industrial development through long-term cooperation with the PPP developer.

POSSIBLE DISADVANTAGES OF PPP FROM THE PUBLIC PERSPECTIVE

- Higher cost of borrowing to PPP than to comparable sovereign financed projects (a theoretical issue for many developing countries).
- PPP arrangements may be too complex for the administration.
- High transaction cost and time.
- Creation of private infrastructure monopolies to be avoided.
- Public lack of experience in monitoring PPP performance.
- Public, national concern over (foreign) private sector participation in infrastructure.
- Labor concerns.
- PPP is not privatisation.

Key elements of a successful PPP project in developing countries

1. The project must be viable.
2. The project must be technically feasible.
3. The project must be bankable.
4. The country risks must be manageable if needed with host government support. Currency foreign exchange and inflation issues must be solved.
5. Adequate government support and assistance through all phases of the project. PPPs are no sleeping pillows for government authorities.

Key elements of a successful PPP project in developing countries

6. **Balanced, professional project agreements, coordinating all operational interfaces. First drafts always to be made by the government authority.**
7. **Bankable EIA.**
6. **Competitive procurement procedure in order to realize the inherent advantages of PPPs.**
7. **Sponsors and their construction contractors must have sufficient experience and resources.**
8. **The project must provide for adequate financial return to the sponsor.**

Conclusion

- While definite advantages of PPP from a public perspective do exist, and can be harnessed, PPP should not be regarded as a miracle cure nor a quick fix to development of infrastructure. Nor does PPP make bad projects to good ones. Nor does PPP provide a sleeping pillow to government officials regarding planning, implementation and monitoring of infrastructure projects.
- Provided an adequate regulatory and administrative framework for PPP and active government support during project phases, PPP, however, has proved to be an efficient tool for governments to accelerate infrastructure provision, to ensure "better value for money" and (in some PPP projects) to provide additional industrial and social development. As the Frankfurt conference on PPP (2006) summed up : PPP is a complex, but very healthy way of doing infrastructure projects.