Public-Private Partnerships - Analysis of Government Implementation Units

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Objectives & Outline

The objective is to investigate and examine the use of PPP units in the United States - their structure, location within government, and functions.

- P3 Units Identified
- International Experience
- P3 Unit Example – Partnerships BC
- Analysis of P3 Units in the USA
- Concluding Remarks
Need for P3 Units

Public Entities Troubles with P3s

- Lack of expertise and capacity to develop and evaluate P3s
- Lack of transparency about P3 transactions
- Complicated procedures & non standardization of procedures and contracts
- Unattractive risk-sharing arrangements
P3 Units Identified

Definition & Role
Entities established to support the use of P3 for the development of public infrastructure. The roles of such units would be a combination of:

- Policy Guidance and Development,
- Coordination, Promotion & Training, and
- Technical Support (Procur. Mgmt., Evaluation, …)
P3 Units Identified

Definition & Role
Some emphasized the **IMPLEMENTATION** role

“any organization set up with full or partial aid of the government to ensure that necessary capacity to *create, support and evaluate multiple public-private partnership agreements* is made available and clustered together within government”  
(OECD 2010)
P3 Units Identified

Definition & Role
Some emphasized the **IMPLEMENTATION** role

“A PPP unit is any organization designed to promote or improve PPPs … have a lasting mandate to *manage multiple PPP transactions*, often in multiple sectors.” (PPIAF 2007)

Partnerships BC represents an implementation unit
P3 Units Identified

Definition & Role
Some emphasized the **GUIDANCE POLICY** role

“A PPP Unit is an entity designed to fulfill functions such as *quality control, policy formulation and coordination, technical advice, standardization and dissemination, and/or promotion of PPPs… it is not the procuring agency*” (B-R 2011)
P3 Units Identified

Definition & Role
Some emphasized the **GUIDANCE POLICY** role

“A PPP unit is established as a point of *coordination, quality control, accountability*, and information related to PPPs either within a single sector or across a range of sectors.” *(ADB 2008)*

Partnerships Victoria & Scottish PF policy units
### P3 Units Identified

**Roles of P3 Dedicated Units** could have a combination of functions *(OECD 2010)*

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
<th>Year created</th>
<th>Policy guidance</th>
<th>Technical support</th>
<th>Capacity building</th>
<th>Promotion</th>
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<tr>
<td>Germany²</td>
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</tbody>
</table>

*Most dedicated units do Policy Guidance and Technical Support*
### P3 Units Identified

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<tr>
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<th>Technical support</th>
<th>Capacity building</th>
<th>Promotion</th>
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<td>●</td>
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<td>●</td>
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<tr>
<td>Italy</td>
<td>Finance ministry</td>
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<td>●</td>
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<tr>
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<td>Poland</td>
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<tr>
<td>Portugal</td>
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<td>2003</td>
<td>●</td>
<td>●</td>
<td>○</td>
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</tbody>
</table>

(OECD 2010)
P3 Units Location

Could be **INDEPENDENT** structure:

- Agency fully/partially owned by government
- Partnerships BC – owned by BC Government
- Partnerships Germany – 60% Gov + 40% holding Co.
- Freedom form politics; may have conflict of interest (private for-profit and public accountability for VfM)
- Governments have ultimate power to approve P3s

Could be **CENTRALIZED** structure

- Office within the Finance Department or Treasury
- Office within a sector (e.g. transportation vs health)
- Partnerships Victoria and Infrastructure UK
- May have the power to approve projects
P3 Units Location

Australia, Canada, and Germany have 2 levels P3 Dedicated Units at **FEDERAL** for *national policy* and **STATE** for *implementation*

**Canada**

- Infrastructure Canada – Separate Department under Transportation/Infrastructure/Communities portfolio
- State Units – Partnerships BC, Infrastructure Ontario

**Australia**

- Infrastructure Australia at the Federal Level
- State/Territory Gov. Units – Partnerships Victoria, New South Wales, and South Australia
Staffing of dedicated P3 Units need to have a experts in:

- Sector-Specific technical skills

- Economics and Finance, Regulation, Procurement, Communications and Training.
P3 Units Example
Partnerships BC
P3 Units - Partnerships BC

Established 2002, leader in evaluating, structuring and implementing delivery solutions for complex public infrastructure projects

About Us

Partnerships BC serves British Columbians through the planning, delivery and oversight of major infrastructure projects. As a company registered under the Business Corporations Act, Partnerships BC is wholly owned by the Province of British Columbia and reports to its shareholder the Minister of Finance.
P3 Units - Partnerships BC

- **Location** – Company incorporated under BC’s Business Corporation Act. **INDEPENDENT**, not a central government office, yet serving all government levels.

- **Structure** – **OWNED BY BC GOVERNMENT**
  - **Board of Directors**: 5-members, public and private, who report to the sole shareholder, the Minister of Finance.
  - **Two Committees**: Audit and Risk Mgmt Committee, and Human Resources and Government Committee
  - **Mgmt Team**: 7 members with 3 strategic services – Projects, Finance & Administration, and Partnerships Services
P3 Units - Partnerships BC

- Roles – Technical Support and Guidance

**BUSINESS PLANNING**
- Early Project Screening
- Concept Plans
- Procurement Options Assessment
- Business Case
  - Market Sounding
  - Quantitative Analysis
  - Risk Analysis
  - Multiple Criteria Analysis
  - Procurement Options Analysis

**PROCUREMENT PROCESS**
- Competitive Selection
  - Management
- Evaluation Management
- Contract Negotiations
- Service Integration
  - Consultant Reporting
- Project Reporting
# P3 Units - Partnerships BC

## Services

### POST-FINANCIAL CLOSE
- Design and construction phase support and advice
- Operations phase advice

### GUIDANCE AND DEVELOPMENT
- Knowledge Management
- Guidance Documents and Templates
- Strategic Communication
- Stakeholder Management
- Project Governance
P3 Units - Partnerships BC

Projects (as of 2/2015)

- **43 PROJECTS** of which 23 are operational, 14 under construction, and 6 in procurement.

- 16 healthcare, 10 transportation and transit, 4 educational, 4 accommodation, 2 for each of correctional, bio-energy, power, and water/wastewater plants, and 1 sports facility.
100km improvement project between Vancouver and Whistler
Capital Cost: $600m; PB DBFO: 25 Years (Option Analysis)
BC North Cancer Center: (2008), C$70m, 5,000 m2, 30 yr DBFM, 20% equity; performance-based service payment
PBC - Water Treatment Facility

BC Britannia Mine Water Treatment Plant: (2004), C$27m, 500,000 m³/yr, 20 years, DBFO, payments linked to treated water volume and meeting environmental regulations.
Okanagan Correctional Centre, (2012), C$193m, 387 cells, 30 yr, DBFM (design, construction, facility mgmt, and life cycle services), performance-based availability/service payment
P3 Units in the USA
P3 Statistics

US States with PPP Authorizations

States and their projects and project value (rounded $) (PWF 2013, 2014; FHWA 2014)
# P3 Units in the USA

<table>
<thead>
<tr>
<th>State</th>
<th>Name of PPP Office</th>
<th>Location</th>
<th>Dedicated PPP Unit/Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>Office of Major Project Development</td>
<td>Transportation (DOT)</td>
<td>G, C, P, PM</td>
</tr>
<tr>
<td>Georgia</td>
<td>P3 Program</td>
<td>Transportation (DOT)</td>
<td>G, C, P</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>PPP Oversight Commission</td>
<td>Transportation (DOT)</td>
<td>G, C, P</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Joint Program Office (JPO)</td>
<td>Transportation (DOT)</td>
<td>G, C, P</td>
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<tr>
<td>Ohio</td>
<td>Division of Innov. Delivery</td>
<td>Transportation (DOT)</td>
<td>G, C, P</td>
</tr>
<tr>
<td>Oregon</td>
<td>Office of Innovative Partnerships</td>
<td>Transportation (DOT)</td>
<td>G, C, P</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>Office of Policy &amp; PPP</td>
<td>Transportation (DOT)</td>
<td>G, C, P</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>The PPP Authority (P3A)</td>
<td>Commonwealth of P R</td>
<td>G, C, P, PM</td>
</tr>
<tr>
<td>Texas</td>
<td>Strategic Projects Division</td>
<td>Transportation (DOT)</td>
<td>G, C, P, PM</td>
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<tr>
<td>Virginia</td>
<td>Office of Transportation PPP</td>
<td>Transportation (DOT)</td>
<td>G, C, P, PM</td>
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<tr>
<td>Washington</td>
<td>Transportation Partnerships Office</td>
<td>Transportation (DOT)</td>
<td>G, C</td>
</tr>
</tbody>
</table>

**G:** Guidance.  **C:** Coordination.  **P:** Promotion.  **PM:** Procurement Mgmt.
**P3 Units - California**

**P3 Program Participants**

**Caltrans** (California DOT): **IMPLEMENTATION**

P3 program managed by 3 members (Planning & Modals, P3 Attorney, and Program Manager. Supported by DOT Innovative Finance Office.

**CTC** (California Transportation Committee): **APPROVAL**

CTC is responsible for the programming and allocating of funds for transportation infrastructure. (part of CalSTA)

**PIAC** (Public Infrastructure Advisory Commission): **POLICY**

Advises on potential P3s, analyze P3s, assemble *best practices*, and provide procurement services. It has 20 commissioner (academia, industry, and Gov), no technical experts. Under CalSTA California Transportation Agency (develops & coordinate transportation policies for CA).
P3 Units - California

P3 Project Selection Process

**CTC** Review/Select P3 Project & Approve P3 Project

Adopt/Define Proposal Evaluation Criteria

**PIAC** Advise on P3s & Develops Best Practices & Review P3 Proposals

PIAC advises on Partnership Suitability, Procurement Mgmt

**Caltrans** Talk w/ Stakeholders & Develop Prj Guidelines

Screen & Nominate P3s to CTC

Procurement Mgmt RFQ/RFP, evaluate proposal

Negotiate Agreement

Obtain PIAC & Legislature Comments

Execute Agreement

PIAC advices on Partnership Suitability, Procurement Mgmt

CTC

PIAC

Caltrans
P3 Units - California

Summary

- P3s managed by 3 agencies w/o dedicated office
- Caltrans assembles **INTERNAL RESOURCES** for each P3 project, e.g. transportation experts, office of **INNOVATIVE FINANCE**, legal office, etc.
- PIAC should build capacity and hire experts in finance and procurements and do more than best practices
- PIAC should be designated as an independent state agency serving all sectors not just transportation
- There has to be a decision on whether policy and implementation roles are to be combined
P3 Units - Florida

Summary

- Florida is a leading P3 State with 17 P3 projects worth of $6 billion.

- No dedicated P3 Office. P3s managed by the Office of Construction and the Office of Project Finance.

- Further to success in transportation P3s, new legislation HB85, expanded P3 to all government levels, local government, counties, and cities to use P3 in a wide range of facilities, e.g. education facilities, water/wastewater facilities, roads, highways and bridges, healthcare facilities and sporting or cultural facilities.
P3 Units - Virginia

Summary

- A leading P3 State with 12 P3s worth of $11.6 billion.
- **P3 VIRGINIA** is a dedicated P3 office under VDOT; It develops/implements state-wide transportation P3 program.
- P3 Virginia has 10 expert members in business management services and financial services.
- P3 Virginia works with the procuring agency in all aspects of P3 including procurement, VfM.
- P3 Virginia does not have approval power, which is the authority of the PPTA Steering Committee.
P3 Units - Texas

Summary

- Texas is a top P3 State with 13 projects worth of $12.9 billion.

- Texas has **STRATEGIC PROJECTS DIVISION** which oversee procurement policies, right-of-way acquisition, feasibility studies, and support activities for the P3 comprehensive development agreements.

- It assist TxDOT districts during design and construction.
P3 Units - Puerto Rico

Summary

- Puerto Rico has the PPP Authority (P3A).

- PSA is a **centralized** dedicated unit for managing PPPs in public infrastructure, schools, rail, social infrastructure, airport, roads, and water.

- PSA is involved in all aspects of P3s including identifying projects and **procurement mgmt** - requesting proposals, selecting the proponent, negotiating the contract, monitoring contract compliance.

- It also provide policy guidance, and promotion.
Concluding Remarks

- Most States **HAVE NO DEDICATED P3 OFFICE**, and rely on the internal resources traditionally used for D-B-B, e.g. planning, construction, financing, and legal offices.

- California and Florida have dedicated **INNOVATIVE FINANCING** offices which added to the success of the P3 efforts/resources.

- Most states carry out **POLICY GUIDANCE, COORDINATION**, and **PROMOTION**. 5 states do full/partial procurement mgmt.
Concluding Remarks

- The most successful states have dedicated offices (P3 Virginia, Texas) or dedicated offices for Innovative Project Finance (Florida and California).

- Three states (Florida, Puerto Rico, and Texas) are expanding beyond transportation P3s into other social and educational facilities.