Executive Summary

Dedicated public-private partnership (PPP) units include any organisation 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 are made available and reside in government. Although dedicated units are considered a relatively recent phenomenon, in 2009 over one-half of all OECD member countries reported the existence of a dedicated PPP unit of some kind (see Table 0.1). The establishment of a dedicated unit serves to enhance the capacity of government to successfully manage the risks associated with a growing number and value of public-private partnerships. Given the substantial sums involved and the long duration of public-private partnerships, the importance of risk allocation, and the contractual complexity of the relationship, the management of public-private partnership agreements requires a high level of capacity.

Table 0.1. Is there a dedicated public-private partnership unit at the national level?

	Number of countries	Countries[1]
Yes	17	Australia, Belgium, Canada, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Netherlands, Poland, Portugal, United Kingdom
No	12	Austria, Finland, Iceland, Luxembourg, Mexico, New Zealand, Norway, Slovak Republic, Spain, Sweden, Switzerland, United States

1. No data for Turkey.

This report provides an overview of dedicated PPP units in OECD member countries. It responds to the increasing attention to dedicated units as an element of success of countries' public-private partnership programmes as well as to the relative lack of written cross-country information on the subject. The "Guidelines for Successful Public-Private Partnerships" (European Commission, 2003) suggest that allocating qualified and motivated staff to a dedicated unit can help to define the role of the public sector in public-private partnerships and build institutional capacity to manage them at all levels of government. The United Nations

(2007) suggests that establishing a dedicated unit is part of the evolution and development of a country's public-private partnership programme, with dedicated units commonly being established in an intermediate stage of developing a national public-private partnership programme.[1] APEC (2008) recommends the creation of dedicated units to manage dimensions of risk in the development of public-private partnerships, establishing robust quantitative and qualitative methods to identify and assess possible public-private partnership projects.

However, little has been written about dedicated PPP units themselves. The World Bank and the Public-Private Infrastructure Advisory Facility (2007) surveyed eight dedicated PPP units to explore whether or not they contributed to successful public-private partnerships and under what conditions.[2] They defined a dedicated unit as successful if it contributed to consecutive public-private partnership transactions that responded to the government's need, offered value for money and complied with general standards of good governance. As we will suggest, such a performance metric should be extended to focus on the functions of dedicated units and their role in the procurement cycle. The World Bank and the Public-Private Infrastructure Advisory Facility survey concludes that, to be successful, dedicated units need to be supported by an adequate mandate and by political support, and should be linked to the finance ministry (or equivalent) in parliamentary systems and to the Office of the President in presidential systems.

Farrugia *et al.* (2008) survey eight dedicated units in order to compare similarities and differences between them in terms of functions and structures.[3] They suggest a number of questions for governments to consider when contemplating the establishment of a dedicated unit. Such factors include: the unit's mandate, structure, staffing, funding, the means of evaluating value for money and the extent to which it has standardised public-private partnership contracts. However, many of these issues were left as unanswered questions or areas that remained unexplored. Beyond these two papers, the discussion of dedicated units generally appears to be peripheral to public-private partnerships.

Responding to the relative lack of written cross-country information on the subject, this report provides an overview of dedicated PPP units in OECD member countries. More specifically we ask:

- What are the rationales, the general functions, location and manner of finance of dedicated PPP units in OECD member countries?
- What role do dedicated PPP units specifically have in the procurement cycle (*i.e.* pre-tender, tender and post-award)?

- What lessons exist for countries that have established or that are considering establishing a dedicated PPP unit?

This report presents the results of an OECD survey and research on dedicated units. The survey of dedicated units was conducted for the 2nd annual OECD Symposium on Public-Private Partnerships held in Paris 5-6 March 2009.[4] The symposium was attended by senior officials responsible for public-private partnership policy in OECD member countries. The results of this survey are presented in Chapter 1.

The remainder of Chapter 1 provides a discussion of conceptual issues surrounding public-private partnerships and dedicated PPP units. Attention first focuses upon the rationale, arguments for and against, associated risks, and performance indicators of public-private partnerships. Second, it discusses the rationale, arguments for and against, functions, location of and resources allocated to dedicated PPP units, as well as evidence of their success. The final section of Chapter 1 presents a summary of findings that set out to answer the questions the report raises in the executive summary. Note, however, that the findings not only build on the contents of Chapter 1, but are also based on the contents of Chapters 2 and 3. The final section therefore represents the overall findings of the study. In order to better understand the functioning of dedicated units, Chapter 2 presents five case studies of the institutional arrangements for public-private partnerships in Germany, Korea, the United Kingdom, Victoria (Australia) and South Africa (an OECD enhanced engagement country).[5] The selection of countries is not intended to suggest best practice but to provide a sample of different institutions and stimulate further discussion of the topic. Each case study includes an overview of the types and numbers of public-private partnerships in these countries, their legal framework, institutional responsibilities, involvement of the dedicated unit in the procurement cycle, and their resources. Finally, Chapter 3 provides a brief overview of dedicated units in other OECD member countries.

Notes

1. The United Nations (2007) suggests a three-stage development model of public-private partnerships. During the first stage the government defines the policy framework, tests the legal viability, identifies a project pipeline, develops underlying concepts to guide the project evaluation and procurement process, applies lessons from earlier deals to other sectors and begins to develop a national market place for public-private partnerships. In the second stage the government establishes a dedicated PPP unit, consolidates the legal framework including publishing policy and practice guidelines for government organisations and continues to foster the domestic public-private partnership marketplace, expand the national project pipeline and extend to new sectors and leverages new sources of funds. The United Nations describes the third stage as more of an outcome than a process. The government has developed a fully comprehensive system and removed the legal impediments for public-private partnerships, has refined and reproduced its partnership models and achieved sophisticated risk allocation, has a well-trained civil service that draws upon past project experience in managing projects, has use of a full-range of funding sources while drawing upon pension funds and private equity funds. It is not clear from the United Nation's model whether the establishment of a dedicated PPP unit is considered as part of a transition process to a civil service that is experienced in public-private partnerships or whether a dedicated PPP unit remains as a constant actor within the government.

2. The survey by the World Bank and the Public-Private Infrastructure Advisory Facility (2007) included four OECD member countries (Australia [State of Victoria], Korea, Portugal, United Kingdom) and four non-member countries (Bangladesh, Jamaica, Philippines, South Africa).

3. The survey by Farrugia *et al.* (2008) included five OECD member countries (Australia [State of South Australia], Canada [Province of British Columbia and Province of Ontario], France, Portugal, United Kingdom) and one non-member country (South Africa).

4. Nineteen OECD member countries participated in the 2009 symposium (Canada, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Japan, Korea, Mexico, New Zealand, Norway, Portugal, Slovak Republic, Spain, Switzerland, the United Kingdom, the United States). Information on the remaining countries was collected via electronic communications with senior officials from the OECD Working Party of Senior Budget Officials.

5. For further information on the OECD enhanced engagement process, see OECD (2008).

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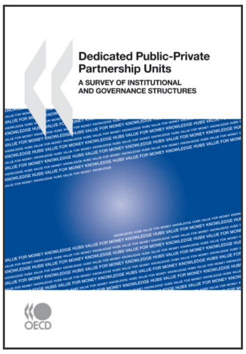

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