

Public-private partnerships (PPPs) are long-term contractual agreements between the government and a private sector partner. The latter typically finances and delivers public services using a capital asset (e.g. transport infrastructure, hospital), sharing the associated risks. PPPs may deliver public services both with regard to infrastructure assets (such as bridges, roads) and social assets (such as hospitals, utilities, prisons).

The private party is often responsible for the design, construction, financing, operation, management and delivery of the service for a pre-determined period of time, receiving its compensation from fixed unitary payments or tolls charged to users. An effective management and a strong institutional capacity are necessary to ensure the success of PPP projects and their fiscal sustainability in the long term. Without a comprehensive legal and regulatory framework, risk sharing, budget liabilities and renegotiations later in the process can become objects of dispute and hinder the project's outcome. PPPs also risk being used to keep government spending and liabilities out of deficit and debt headline measures. Moreover, the long-term nature of PPPs can prove too inflexible, costly and burdensome for the changing needs of the public sector and evolving technology.

All SEA countries use PPPs. However, the institutional arrangements at the central/federal level of government are quite diverse in the region. Out of the seven SEA countries with PPP units, four created PPP units within their ministry of finance to manage the partnerships; two have a PPP unit within line ministries; and Malaysia's PPP unit is in the Prime Minister's Office. In comparison, while all OECD countries that responded to the survey use PPPs (26), 11 do not have PPP units. Out of the 15 OECD countries with PPP units, 12 have dedicated PPP units reporting to the ministry of finance and 8 have PPP units reporting to line ministries; some have both. Dedicated PPP units have been shown to help in the design and procurement process of PPPs and to increase effectiveness in project delivery.

Absolute and relative value for money assessments are commonly carried out by SEA countries. Absolute value for money tests determine whether a project provides overall value for money for society. In turn, relative assessments compare different forms of procurement and establish which is most efficient. The assessments judge in particular whether PPPs or traditional infrastructure procurement (TIP) projects are the most efficient form of delivery.

Half of SEA countries perform relative assessments for all PPPs (public sector comparators) to evaluate whether PPPs are more efficient than TIPs, while Myanmar and Singapore only do so for projects above a certain threshold. Absolute value for money assessments for TIPs and PPPs are also common in the SEA region (70% of SEA countries undertake them for all projects). All the OECD countries in the SEA region that responded to the survey use relative

and absolute assessments for all projects, or at least for projects above a certain monetary threshold.

Results suggest that few SEA countries perceive PPPs to perform better than TIPs. However, most SEA countries reported that it is hard to make a judgment due to the lack of data or expertise. Further analyses and assessments are needed for informed decision making and hence to improve PPP implementation.

### Methodology and definitions

Data for SEA countries refer to country responses to the 2018 OECD Budget Practices and Procedures Survey for Asian Countries. OECD country responses are to the 2018 OECD Capital Budgeting and Infrastructure Governance Survey. Respondents were predominantly senior budget officials in SEA countries and OECD countries. Responses represent the countries' self-assessments of current practices and procedures. Data refer only to central/federal governments and exclude the sub-national level. OECD totals are based on responses by 26 OECD countries, as no 2018 data are available for Belgium, Canada, Estonia, Finland, Iceland, Korea, Latvia, Poland and the United States.

The applied PPP concept in this chapter includes both pure PPPs and concessions.

A PPP unit is an organisation that has been set up by government to centrally facilitate, promote or improve PPPs across government departments.

Methodologies for relative value for money assessment and absolute value for money tests vary by country.

### Further reading

OECD (2017), *Getting Infrastructure Right: A Framework for Better Governance*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264272453-en>.

OECD (2012), "Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships", OECD Publishing, Paris, [www.oecd.org/gov/budgeting/PPP-Recommendation.pdf](http://www.oecd.org/gov/budgeting/PPP-Recommendation.pdf).

World Bank Group (2018), "Procuring Infrastructure Public-Private Partnerships Report", World Bank, Washington, <https://ppp.worldbank.org/public-private-partnership/library/procuring-infrastructure-ppps-2018>.

### Figure notes

4.10: The OECD total for use of public-private partnerships includes Switzerland where the PPP instrument is allowed but rarely used.

4.11: No data are available for OECD countries.

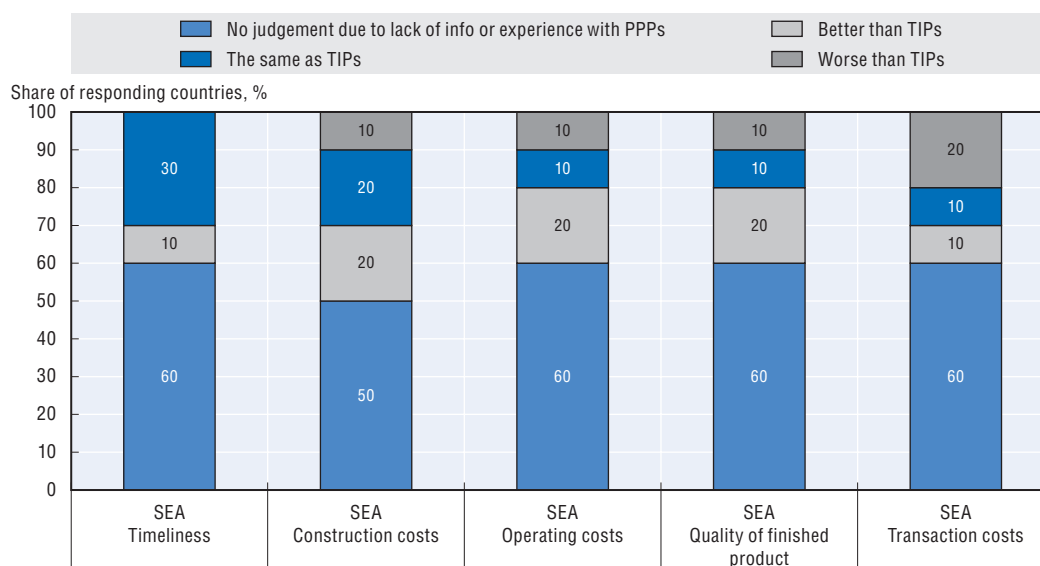
## 4.10. Dedicated PPP units and value for money assessments of PPPs and TIPs, 2018

	Use of public private partnerships	Existence of PPP unit				Use of relative value for money assessments	Use of absolute value for money assessments	
		Dedicated PPP unit reporting to Ministry of Finance	Dedicated PPP units reporting to line ministries	Other PPP unit	No dedicated PPP unit exists in central/federal government	For PPPs	For PPPs	For TIPs
Brunei Darussalam	✓	✓				⊙	⊙	□
Cambodia	✓	✓				⊙	●	●
Indonesia	✓	✓				⊙	●	●
Lao PDR	✓			✓		●	●	●
Malaysia	✓		✓			●	●	●
Myanmar	✓			✓		○	○	○
Philippines	✓		✓			●	●	●
Singapore	✓			✓		○	○	○
Thailand	✓	✓				●	●	●
Viet Nam	✓		✓			●	●	●
<b>SEA Total</b>	10	4	2	1	3			
● Yes, for all projects						5	7	7
● Yes, for those above certain monetary threshold						2	2	2
⊙ Yes, ad hoc basis						3	1	0
○ Yes, other						0	0	0
□ No						0	0	1
Australia	✓		✓			●	●	●
Japan	✓	✓				○	●	●
Korea	✓							
New Zealand	✓	✓				●	●	○
<b>OECD Total</b>	26	12	8	2	11			
● Yes, for all projects						9	11	9
● Yes, for those above certain monetary threshold						5	4	5
⊙ Yes, ad hoc basis						2	2	1
○ Yes, other						5	3	4
□ No						5	6	5
x Not applicable / survey not answered						0	0	2

Sources: For SEA countries, OECD (2018) Budget Practices and Procedures Survey for Asian Countries. For OECD countries, OECD (2018) Capital Budgeting and Infrastructure Governance Survey.

StatLink  <https://doi.org/10.1787/888933840950>

## 4.11. Countries' assessments of PPPs relative to TIPs along various dimensions, 2018



Source: For SEA countries: OECD (2018) Budget Practices and Procedures Survey for Asian Countries.

StatLink  <https://doi.org/10.1787/888933840969>



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