

Guide to PPPs in Puntland State of Somalia

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Table of Contents

Table of Contents	2
INTRODUCTION	4
1. INTRODUCTION TO PUBLIC PRIVATE PARTNERSHIPS (PPPs)	5
What is a PPP?	5
2. PPP principles, benefits and participants requirements	6
2. 1 What are the Principles of PPPs?	6
2.2 What are the benefits of PPPs?	6
2.3 Participants' Requirements for Successful PPPs.....	6
2.3.1 Public	6
2.3.2 Private.....	7
2.3.3 PPP Policy Framework	7
3. FORMS of PPP	7
3.1 Service Contract	7
3.2 Management Contract.....	8
3.3 Leasing	8
3.4 Concession contracts	8
3.5 PPPs must have clear goals and objectives	9
3.6 Factors that determine value for money	9
3.7 Identify and manage risk	10
4 The PPP Project Cycle.....	14
4.1 PPP Inception	15
4.2 PPP Feasibility Study	16
4.3 PPP Procurement	16
4.4 Managing the PPP Agreement.....	17
What does the PPP project cycle involve?	17
4. WHY SHOULD THE GOVERNMENT OF PUNTLAND SUPPORT PPPs?	18
REFERENCES	19
Further Reading.....	20

FIGURES

Figure 1: PPP Options.....9

Figure 2: PPP Project Cycle15

BOX

Box 1: Examples of Risks in Public-Private Partnerships.....12

INTRODUCTION

BACKGROUND: Overcoming the infrastructure deficit through PPPs

It is over one year since the last assessment to review and analyse the state of private sector participation (PSP) in local government services (solid waste and water). The 2009 assessment identified the level and quality of solid waste management and water supply services in Hargeisa and Borama; developed an understanding of the existing institutions including laws and regulations on public private partnerships (PPPs); identified critical problem areas; and recommended suitable measures for improvement in current practice, as well as outlining the potential roles for both local government and private sector to develop service delivery partnerships.

Since then, the International Labour Organization (ILO), working in the context of Somali Reconstruction and Development Framework (2008-11) and in line with UN efforts to support the United Nations Transition Plan (2008-9) for Somalia, has commissioned the development of a public-private partnership (PPP) *Policy Framework*, as well as a *PPP Toolkit*. While the policy framework made a significant attempt towards defining the PPP process, identifying and structuring PPP projects to facilitate the implementation of viable projects that are integrated within national and local planning processes.

Through a number of training sessions held inside Puntland and outside, the *PPP Toolkit* has been used to institutionalise PPP learning by training central and local government practitioners, as well as private sector operators to support (1) PPP capacity building efforts in local councils, (2) PPP policy development, (3) sharing of best practice, and (4) development of learning material to inform about the various aspects of PPPs. The Training of Trainers (ToT) workshops targeted stakeholders drawn from local authorities, central government, universities and other tertiary institutions of learning. Hitherto, some of the key stakeholders, including Ministers, Director Generals, Mayors, Councillors and Senior officials in both central and local government have not benefited from the ILO's intervention. This guide seeks to fill this gap and provide the basis for PPP dialogue.

PURPOSE, TARGET AND KEY MESSAGES

Knowledge and experience in undertaking PPP projects is generally lacking in central government (with the exception of Ministry of Water) as well as at local government level (see PPP Assessment Report for Puntland, ILO 2009). It is in this context that this guide has been developed to provide national and local governments leaders with an introduction to PPP so that they can participate more meaningfully and help in the process of developing and implementing projects under the PPP approach. The material in this guide will no doubt make a significant contribution to advancing the knowledge and practice of central and local government officials on how to approach existing PPP projects, as well as how to initiate and successfully implement new ones.

BASICS of PPPs

PPPs have proved their worth by bringing about improvements in public service quality through shorter delivery times, better value for money and increased innovation through the use of competition across a range of infrastructure sectors – CBI 2007

Public utilities and services, such as roads, water, energy, health, education, etc. have traditionally been provided by governments. However, government is not the only provider of such services. In Puntland (and throughout history) communities have organised to provide essential services especially when the central authority has failed to provide such basic services like water and sanitation. The approach of supplying public goods and services by private companies is growing in importance not only where there is failure or the inability by public entities (national and local) to deliver services, but also due to recognised advantages and benefits of private sector participation (PSP) in public private

partnerships. *But what are public private partnerships?*

1. INTRODUCTION TO PUBLIC PRIVATE PARTNERSHIPS (PPPs)

What is a PPP?

Public Private Partnership is an arrangement between government (the public sector), both local and central, and other organizations (e.g. private sector) for the purpose of providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners. The reasons for establishing such partnerships vary but generally involve the financing, design, construction, operation and maintenance of public infrastructure and services.

Or another definition:

A public-private partnership is a relationship that consists of shared and/or compatible objectives of an acknowledged distribution of specific roles and responsibilities among the participants which can be formal or informal, contractual or voluntary, between two or more parties. The implication is that there is a cooperative investment of resources and therefore joint risk-taking, sharing of authority, and benefits for all parties

Broadly speaking PPP can be defined as:

A contractual framework, or structure, where the public and private sector come together to deliver a project/service that is traditionally provided by the public sector, by means of risk transference. Whilst various structures exist, the key principle is that better value can be achieved through leverage of private sector competencies and the allocation of risks to those parties best-suited to manage them.

All PPPs incorporate three key characteristics:

- A contractual agreement defining the roles and responsibilities of the parties;
- Sensible risk-sharing among the public and the private sector partners, and
- Financial rewards to the private party commensurate with the achievement of pre-specified outputs.

2. PPP principles, benefits and participants requirements

Generally, this collaborative relationship between the public and private sectors has mutual interest for both parties. The Puntland State of Somalia can expect to have new investment / funding opportunities and entrepreneurial skills from the private sectors which, on its side gains access to new expanding market. In such partnership, both sectors share skills and assets in delivering public service or goods. The PPP arrangement can be seen as alternative ways of allocating the risks and responsibility of ownership, financing, operation and maintenance between government and private or community operator.

2.1 What are the Principles of PPPs?

PPP's should ideally achieve the following objectives:

- Maintain or improve service levels
- Leverage private sector skills in project delivery through improved skills, technologies and innovation
- Access to capital and cost efficiencies
- Value for money
- Efficient asset management
- Optimise risk transfer

2.2 What are the benefits of PPPs?

- More efficient service delivery through competition (through competitive tendering processes).
- Cost reductions
- Risks allocated to party best able to manage it
- Innovation through technology, finance and better management practices
- Enhancement of relationship between public authority and private operator
- Greater accountability in the way services are managed and delivered

2.3 Participants' Requirements for Successful PPPs

2.3.1 Public

- Regulatory / institutional framework in place
- Stakeholder buy-in (political / institutional)
- Accelerated project delivery (finance / innovation)
- Risk transference (cost / schedule)

- Cost efficiencies (best practices / technology)
- Competition (price)
- Qualified providers (experience)
- Internal resources (procurement / administration)
- Accountability (monitoring / management)

2.3.2 Private

- Regulatory / institutional framework in place
- Essential to public (“demonstrated” need)
- Demonstrable feasibility (market / technical / environmental / financial / risk allocation)
- Risk management (allocation / rewards)
- Transparency (procurement)
- Due diligence (volume / costs / revenues / risks)
- Public sector “buy-in” (permitting / acquisition)
- “True” partnership (contractual framework)
- Innovation (costs / risks / revenues)

2.3.3 PPP Policy Framework

A public-private partnerships policy framework represents a critical factor for PPPs. The imperative for a PPP policy framework arises from the understanding that private participation in PPP projects should have a clear basis in policy. A policy framework allocates authority and responsibility within the parts of government, for example, between national and local government and between central and line agencies, to ensure the proper management of tension between parties. The policy framework would also define the process for proposing, identifying and structuring PPP projects to facilitate the generation and implementation of viable project that are integrated with the national and local planning process. It is also important that those who will be affected by projects participate in their planning, implementation and evaluation. The PPP policy framework should also provide for evaluation and revision in light of experience and lessons learned. It should also help in focusing and directing the evolution of PPPs.

3. FORMS of PPP

A wide range of PPP arrangements exists, differing in purpose, service scope, legal structure and risk sharing. One end of the spectrum shown below would be an outsourcing of some routine operation, while the other could involve the private sector conceiving, designing, building, operating, maintaining and financing a project, thereby taking a considerable proportion of risks.

3.1 Service Contract

Service contracts are for short periods of time and leave coordination and investment responsibility with public sector management. For example, the North East Somalia Highway Authority (NESHA), which is

the government agency obligated with the responsibility of constructing and maintaining highways as well as the construction of feeder roads within Puntland under the supervision of the ministry of Public Works implements construction, rehabilitation and maintenance works by use of private contractors.

3.2 Management Contract

Management contracts are similar to service contracts in that the length of the contractual period typically varies around three to five years. The responsibility for operation and maintenance is transferred to the private sector while investment responsibility rests with Government. For example, the Garowe Municipality has partnered with a local NGO called Nabaad to manage the solid waste. The two parties signed a contract defining the duration, roles and responsibilities of each party. The contract states that the municipality should provide all capital assets needed to manage solid waste and Nabaad is responsible only for operation and maintenance.

3.3 Leasing

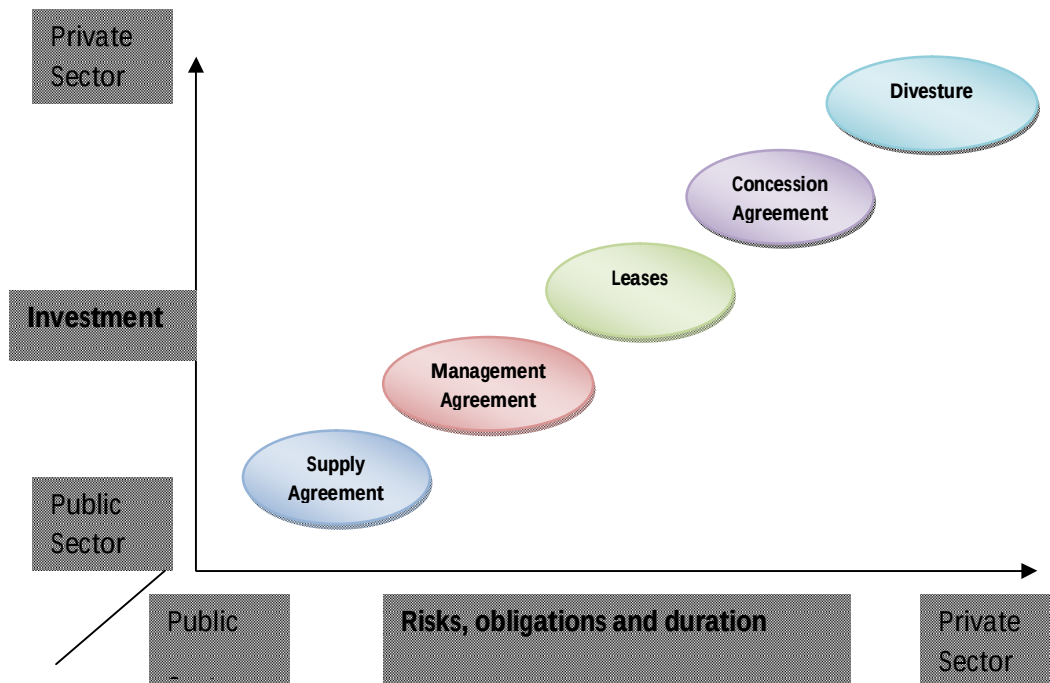
With leases, most commercial risks of the operations are assumed by the private provider, and the profits of the private operator depends on how much s/he can reduce costs. For example, Galkacyo's main private water supplier is GUMCO (Golden Utilities Management Company). It was granted a ten-year lease contract by the municipality to operate the water supply system. GUMCO reports to a board of directors and to PSAWEN. With some success, it has invested in system improvements in Galkacyo, constructing water kiosks in poorer areas of the city and providing cleaner and more affordable water for a larger population. Since taking over the water supply management system in 2003, the Galkacyo water company has connected nearly 5,000 houses to piped supply, constructed over 50 water kiosks, and established several truck-filling points. In addition, the network was extended from 25 km to 150 km. The price of water has been reduced from \$8/m³ to \$1/m³ for those connected to the pipeline and to \$0.6/m³ for those using water kiosks.

3.4 Concession contracts

Concession contracts are those where the private sector contractor recovers its costs either through direct user charges or through a mix of user charging and public financial assistance. The government usually retains property and residual rights of all assets, and the latter return to Government at the end of the contract, which is usually after 25 or 30 years.

The allocation of risk between the partners is a key consideration that affects various other aspects of partnership agreements, including rewards, investments and responsibilities. The options range from, on the one hand, a service agreement structure where the public sector is responsible for all aspects of the infrastructure project except for the obligations that it specially contracts to the public sector. On the other hand, a divestment of all infrastructure assets from the government's ownership and control, with the government maintaining any responsibilities through regulations. The different PPP options and the element of risk transfer are shown in Figure 1.

Figure 1: PPP Options



3.5 PPPs must have clear goals and objectives

All PPP must demonstrate value for money (VfM). This means that the use of public property by a private company in terms of the PPP agreement must result in a net benefit to the public.

Another definition:

Value for money means that the private provision of a government function/service results in a net benefit to government, defined in terms of costs, price, quality, quantity or risks transfer, or a combination thereof.

3.6 Factors that determine value for money

In general, PPP can generate improved value for money through a number of ways including:

- Reduced whole life costs
- Better allocation of risk
- Faster implementation of the project
- Improved quality of service
- Generation of additional revenues.

For example, in the water PPP the use of a borehole developed using government provided finances should not lead to high and unaffordable tariff to consumers/water users. The quality of the water should also be of a high standard to safeguard people's health. These are important considerations especially because of established urban water supply schemes in Boroma that use the PPP approach and new ones being developed for rural water supply.

3.7 Identify and manage risk

Identify risk (see the table for definition of different type of risks) at the start of the projects and prepare to mitigate them. PPPs allow risk which is most able to be managed by the private sector, to be transferred to them. However, the Government of Puntland should also accept its share and help to mitigate those allocated to the private sector in mutual support. Both risks and benefits of PPP should be shared among the partners.

Table 1: Definition of Different Risks in PPPs

RISK	PUBLIC	PRIVATE
Legislative (existing and future)	Major responsibility	Sharing within defined parameters
Acquisition and Environmental	Major responsibility	Sharing within defined parameters, with public sector assistance
Permits and Planning	Major responsibility	Sharing within defined parameters
Design and Construction		Major responsibility
Operation and Maintenance	Sharing within defined parameters	Major responsibility
Financing		Major responsibility
Termination		Major responsibility, unless demonstrably caused by public

RISK	PUBLIC	PRIVATE
Force Majeure ¹	Sharing based on event	Sharing based on event

Risks (as well as rights and responsibilities) are distributed differently between the public sector and the private sector under different PPP options (refer to Figure 1 and Table above). For example, under the supply agreement structure, the government retains all the obligations to finance, own, construct and operate the infrastructure service. To the extent that it does not have the expertise to construct, operate or provide inputs necessary to provide the infrastructure services, it would retain the private sector. This structure assumes that the financing for the infrastructure asset would come from the government.

Under the management agreement structure, the government owns the infrastructure and is responsible for the finance and construction of the infrastructure. The private entity would be responsible for the operation and maintenance (O&M) of the infrastructure assets as provided under the O&M agreement.

Under the lease structure, the government finances and constructs the infrastructure asset. On completion, the government maintains the ownership of the infrastructure, but contracts out to the private sector the operation, management and maintenance of the infrastructure assets. The private operator is entitled to the revenues generated from the ownership of the infrastructure asset.

¹ This risk reflects the occurrence of unexpected and uncontrollable natural and/or man-made conditions, such as earthquakes, typhoons, flooding or war, which may negatively affect the construction or operations of a project. These risks are generally taken on by the project promoters and investors for at least a limited time or amount of investment. Investors will certainly take the possibility of such occurrences into account when valuing the project and determining the required rate of return.

Box 1: Examples of Risks in Public-Private Partnerships

- **Completion risk:** The possibility that a project's construction or installation will be delayed, with additional cost or other implications.
- **Cost overrun risk:** The possibility that during the design and construction phase, the actual project costs will exceed projected costs.
- **Design risk:** The possibility that the private party's design may not achieve the required specifications.
- **Exchange rate/forex risk:** The possibility that exchange rate fluctuations will impact on the costs of imported inputs or the project's debt or equity.
- **Force majeure:** The occurrence of certain unexpected events that are beyond the control of the parties, whether natural or man-made, that affect the project.
- **Market/demand risk:** The demand for the services generated may be less than projected.
- **Operating risk:** Factors other than Force Majeure such as projected operating expenditure, skills requirements, labour disputes, employee fraud, etc.
- **Political risk:** Unforeseeable conduct by a government institution that materially and adversely affects the expected return on equity, debt service or costs of the project. This includes expropriation and nationalization.
- **Regulatory risk:** Consents required from government authorities or independent regulatory agencies are not obtained or result in additional costs.
- **Utilities risk:** The utilities (water, electricity, etc) for the project are not available.

Source: South African National Treasury's PPP Manual, accessible at www.ppp.gov.za/Documents/Manual/Module%2007.pdf

The Toolkit for Public-Private Partnerships in Roads and Highways² shows that irrespective of the model and type of partnerships, public-private partnerships encompass the following principles which comprise the PPP contract between the parties:

- **Long-term partnership.** A long-term relationship between the public and private sectors is a key condition allowing the efficiencies required to deliver VfM. During the course of the PPP contract, situations can arise which necessitate amendment to the contract (a situation common to existing PPPs in Puntland), or change in scope. Therefore, communication and transparency between the public and private sector is a must in such a long-term relationship.
- **Size and complexity.** PPP can be both vertically integrated, for example where an upstream segment, such as generation, is separate from a downstream segment, such as transmission and/or horizontally integrated (e.g., creating several generation companies out of one. The

² Available in the Public-Private Infrastructure Advisory Facility (PPIAF) Website:
<http://www.ppiaf.org/ppiaf/sites/ppiaf.org/files/documents/toolkits/highwaystoolkit/1/1-13.html>

ability of PPP to allow complete horizontal integration of services under one party from initial design and construction to finance and service delivery (operation and maintenance) allows performance-based incentives to be optimized, and efficient transfer of risk to a single private party, and the coordination of these activities by private companies at lower cost than the government, since they are better able to respond to economic incentives. The best time to reshape market structure (horizontally and vertically), facilitate competition, and improve regulation is before the concession. In the case of fishing, for example, Puntland State of Somalia's coastal regions hold an abundance of fishery resources, which, if properly utilised in a sustainable and productive way, could have a major impact on the development of the state. The fishing industry currently lacks supporting infrastructure, quality control, and processing systems for export. Private sector participation in the fisheries sector is an ongoing policy objective of the government and is yet to be seen how this market will be structured.

In order to benefit from private sector incentives and generate value for money, PPP projects should have a certain minimum size. The size of the PPP contract depends largely on the capacity of public and private parties.

- **Private investment and private finance.** The private sector invests money in a PPP project and seeks an equitable return as remuneration of the equity as well as for carrying the risk. Typically, in Puntland nearly 100% of a PPP's capital costs – depending on the level of risk and guarantee – are funded by equity and the balance from donor agencies. Whoever the financier is, s/he will require due diligence of every aspect of the project to verify the project's ability to generate reasonable return on investment. In the case of donor funds, one of the key requirements is equitable and sustainable delivery of services (including to the poor). Some form of government support is also needed to show commitment to the PPP project
- **Legal framework.** PPP projects need to be completed and executed under a stable legal framework. Two of the major areas are the state aid controls and the public procurement regulations. Given the financial situation of the Government of Puntland, provision of financial comfort to lenders and sponsors through the use of subsidies is at present not feasible. But where feasible other incentives should be considered. At the same time, legislation needs to be reviewed prior to initiating a PPP project in order to avoid legal problems during the contract period. (See Box 1 below).
- **Revenues.** Various mechanisms can be used to ensure revenue stream, for example fuel levy (in the case of roads) supplemented by donor funding. The decision how to ensure the revenue stream is a political decision and has considerable influence on the financial structure of the project, and consequently on the viability on the project as a whole.

THE PROCESS

The process of putting together a successful PPP project requires an approach that might be quite different from what most public authorities have previously practiced in developing traditional / standard publicly-financed projects (see Table below). This requires the authorities to learn new ways of doing things and to take on new roles when undertaking PPP arrangements. In the case of Puntland State of Somalia, the government may take an interest in infrastructure investments, but may be constrained by the prevailing fiscal and monetary condition.³ In these situations, the government may facilitate the investment process, but not be involved in financing arrangements.

Table 2: PPP and Traditional Approches

PPPs	Traditional Approach
Government purchases infrastructure services	Government purchases an infrastructure asset
Once long-term contract integrating design, build, finance and maintenance	Short-term design and construction contracts (two-to-four years)
Output-based specifications	Input-based specifications
Private sector retains whole-of-life asset risk	Government retains whole-of-life asset risk
Payments begin once the asset is commissioned. The payment profile is relatively even, reflecting the level of service provision over the longer term contract	Payment profile has a spike at the start to pay for capital costs, with long ongoing costs
Private contractor is responsible for construction time and cost overruns	Government is usually liable for construction time and cost overruns
Government may or may not operate the facility	Government operates the facility
Government manages one contract over the life of the facility	Government manages multiple contracts over the life of the facility
Performance standards are in place. Payments may be abated if services are not delivered to contractual requirement	Often no ongoing performance standards
End-of-term handover quality defined	Handover quality less defined

Source: "Australian Government 2008: National Public Private Partnership Guidelines: Overview"

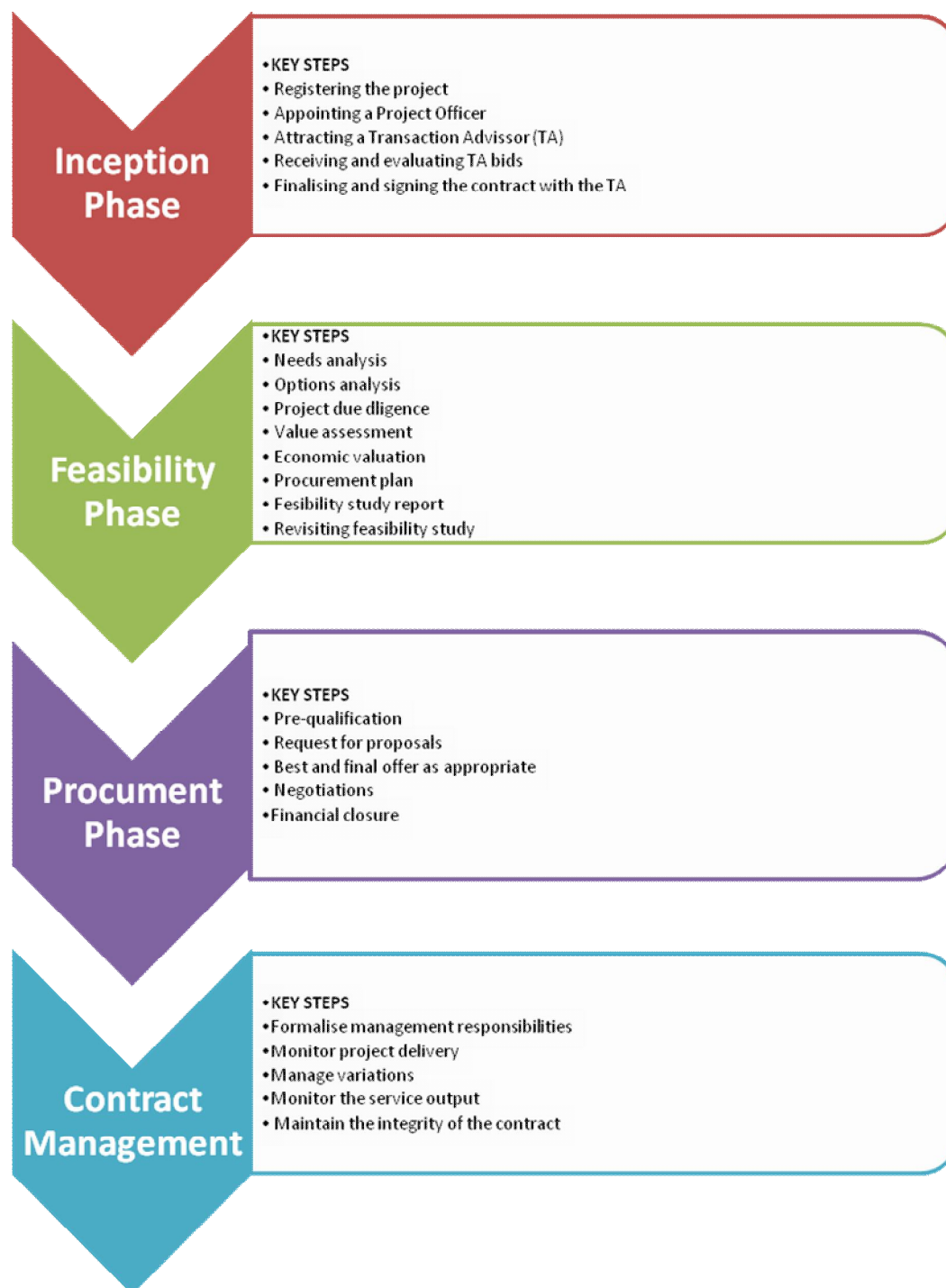
4 The PPP Project Cycle

PPP project cycle is comprised of four phases. The different phases are the following:

- Phase 1: Inception;
- Phase 2: Feasibility;
- Phase 3: Implementation; and
- Phase 4: Contract Management

³ Globally, infrastructure investment deficit in fragile states is immense.

Figure 2: PPP Project Cycle



4.1 PPP Inception

Inception is the first phase of the PPP project cycle. As applied in South Africa, which is a good example for Puntland State of Somalia to learn from, the stages of inception involve:

- a municipality registering the project with the Ministry of Planning and International Cooperation and/or the Ministry of Interior);
- appointing a Project Officer;
- attracting a Transaction Advisor;⁴
- receiving and evaluating Transaction Advisor bids; and
- finalising and signing the contract with the Transaction Advisor.

4.2 PPP Feasibility Study

The feasibility study is the second phase of the PPP project cycle. The feasibility study is undertaken to help municipalities determine whether conventional public sector procurement or a PPP is the best choice for the proposed project. The stages of the feasibility study process are as follows.

- a) Needs analysis
- b) Options analysis
- c) Project due diligence
- d) Value assessment
- e) Economic valuation
- f) Procurement plan
- g) Feasibility study report for Transaction Advisor
- h) Revisiting feasibility study for Transaction Advisor

4.3 PPP Procurement

The third phase of the PPP project cycle includes the following distinct stages:

- a) pre-qualification;
- b) request for proposals (also known as "RFP", this is a principal tender document in a procurement provided only to short-listed bidders);
- c) best and final offer (BAFO)⁵, where appropriate;
- d) negotiations; and
- e) financial closure.

⁴ As used in the South African context, a "Transaction Adviser" is a person or persons appointed in writing by an accounting officer of a municipality, who has or have appropriate skills and experience to assist and advise the municipality to achieve informed decisions concerning the effective delivery of the defined service, including, if appropriate, the preparation and conclusion of a PPP agreement. Likewise, authorities in Puntland State of Somalia should consider hiring a transaction adviser when initiating PPP projects. Such a person or group of persons (firm or company) should possess or have access to professional expertise in financial analysis, economic analysis, legal analysis, environmental analysis, contract documentation preparation, tender processing, engineering or cost estimating. The transaction adviser assists in bringing a PPP project from the concept stage through public bidding and award to actual execution.

⁵ In a negotiated procurement process, the bid containing final pricing and deliverables submitted by bidding contractors based on the outcome of the negotiations conducted during the initial bid stage.

4.4 Managing the PPP Agreement

The fourth phase of the PPP project cycle continues throughout the project term. The public sector in Puntland State of Somalia should put effective mechanisms in place to manage the implementation of the PPP agreement, once it is signed.

The Project Officer is responsible for preparing and implementing the PPP management plan. The following are the key aspects of PPP agreement management:

- a) the institution's roles and responsibilities;
- b) the approach to PPP agreement management;
- c) partnership management;
- d) service delivery management;
- e) PPP agreement administration (i.e., the administrative processes required to ensure that all procedures contained in a contract and all related documentation are effectively managed);
- f) key challenges and tasks of PPP agreement management; and
- g) the PPP agreement management plan and the PPP agreement management manual.

What does the PPP project cycle involve?

The PPP project cycle enables the three regulatory tests of affordability, value for money and risk transfer to be applied at every stage of preparing for, procuring and managing a PPP agreement. Local governments in Puntland State of Somalia wishing to pursue PPPs should consider applying these tests throughout before they publicly invite bids and prior to the execution of any PPP agreement.⁶

⁶ This is the standard practice in South Africa and both the Municipal Finance Management Act and the Municipal PPP Regulations require the solicitation of views and recommendations of the community and other government entities prior to the execution of any PPP agreement. It is a good practice that enhances transparency, which should be adopted in Puntland.

4. WHY SHOULD THE GOVERNMENT OF PUNTLAND SUPPORT PPPs?

A key advantage of having the private sector provide public services (i.e., private participation) is that it allows public administrators to concentrate on planning, policy and regulation. The private sector, in turn, is empowered to do what it does best, and in particular improve the efficiency and quality of service. As the case of GUMCO Water Company demonstrates, private participation changes the water sector by introducing an operator that is independent of the government and has a strong incentive to be profitable. Independence and the profit incentive may also help the government achieve its objectives. Private participation may have effects in three areas:

- a) The operating performance of the utility
- b) The utility's investment decisions
- c) Policy and its enforcement.

Cooperation with the private sector in PPP projects is able to deliver a number of advantages, including:

- **Acceleration of infrastructure provision.** PPPs often allow public sector to translate upfront capital expenditure into a flow of ongoing service payments. This enables projects to proceed when the availability of public capital may be constrained (either by public spending caps or annual budgeting cycles), thus bringing forward much needed investment.
- **Faster implementation.** The allocation of design and construction responsibility to the private sector, combined with payments linked to the availability of a service, provides significant incentives for the private sector to deliver capital projects within shorter construction timeframes.
- **Reduced whole life costs.** PPP projects which require operational and maintenance service provision provide the private sector with strong incentives to minimize costs over the whole life of a project, something that is inherently difficult to achieve within the constraints of traditional public sector budgeting.
- **Better risk allocation.** A core principle of any PPP is the allocation of risk to the party best able to manage it at least cost. The aim is to optimize rather than maximize risk transfer, to ensure that best value is achieved.
- **Better incentives to perform.** The allocation of project risk should incentivize a private sector contractor to improve its management and performance on any given project. Under most PPP projects full payment to the private sector contractor will only occur if the required service standards are being met on an ongoing basis.
- **Improved quality of service.** Generally, the quality of service achieved under a PPP tends to be better than that achieved by traditional procurement. This may reflect the better integration of services with supporting assets, improved economies of scale, the introduction of innovation in service delivery, or the performance incentives and penalties typically included within a PPP contract.

- **Generation of additional revenues.** The private sector may be able to generate additional revenues from third parties thereby reducing the cost of any public sector subvention required. Additional revenue may be generated through the use of spare capacity or the disposal of surplus assets.
- **Enhance public management.** By transferring responsibility for providing public services government officials will act as regulators and will focus upon service planning and performance monitoring instead of the management of the day to day delivery of public services. In addition, by exposing public services to competition, PPPs enable the cost of public services to be benchmarked against market standards to ensure that the very best value for money is being achieved.

However, there are at least two critical things that need to be done in order to achieve these possible benefits. One, give the provider the ability and incentives to make good operating and investment decisions. Two, protect the operator from the risk of losing from the government changing the rules of the game rather than from bad operating and investment decisions.

In conclusion, private participation can sometimes help extend access to good services at reasonable prices, if the arrangement governing it is well designed. Before considering the design of arrangements, however, Puntland leaders and government officials should understand the ways in which private participation can help them achieve their goals.

PPPs present a number of advantages for the public sector to exploit, but they are by no means the only ones. PPPs should only be considered if: (1) it can be demonstrated that they will achieve additional value compared with other approaches, (2) if there is an effective implementation structure, and (3) if the objectives of all parties can be met within the partnership. The logic for establishing partnerships is that both the public and the private sector have unique characteristics that provide them with advantages in specific aspects of service or project delivery. The most successful partnership arrangements draw on the strengths of both the public and private sector to establish complementary relationships.

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