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UNITED NATIONS
CENTRE FOR TRADE FACILITATION AND ELECTRONIC BUSINESS
(UN/CEFACT)

INTERNATIONAL TRADE PROCEDURES DOMAIN GROUP
Trade and Transport Programme Development Area

Recommendation

Public and Private Partnership in Trade Facilitation

SOURCE: **Recommendation of PPP in TF Revision Project Team**
ACTION: **Nearing a finalized draft for experts' consideration**
STATUS: **Draft v0.2**

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PPP-TF RECOMMENDATION

INDEX

1. INTRODUCTION

Increasingly, governments are turning to the private sector for the financing, design, construction and operation of infrastructure projects, Information and Communication Technology (ICT) ~~and other service based contracts all of which include at least elements of "E-commerce" but there are~~ and new types and new approaches of Public and Private Partnerships (PPPs). It is easy to observe that the nature of PPP contracts, both in terms of types and approaches, is continuing to develop and grow. ~~The aim of this Recommendation is to encourage a good practice model for undertaking different types of PPP in Trade Facilitation.~~ This Recommendation has the aim to provide a better understanding of Public and Private Partnership (PPP) in Trade Facilitation (TF).

The aim of this Recommendation is to provide a guideline to apply PPP in TF successfully, increasing the quality of the services provided, reducing costs, increasing efficiency, reducing disputes among partners, and eliminates corruption. Introducing public and private partnership to facilitate trade.

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For these reasons, it is important to create mechanisms to reduce the asymmetry of information among partners and tools to monitor PPP projects. Disclosure of information has to follow a pattern of normality or being in regular basis, in which information is accessible without specific active request.

Any PPP in TF should follow the following principles:

1) Increase the predictability. Any unexpected procedure, quota or certificate; any substantial change in the tariff rate applied; any unpredictable aspect, rule, regulation, taxes or laws are all just some examples of non-transparent practices that mean restrictions for trading abroad.
2) Simplify procedures. Examples of simplification within transparency can include: minimizing the number of documents required to trade; increasing the speed and flexibility of getting import permissions; easing the requirements for compliance to trade abroad; and harmonizing procedures along the trade chain from producers to end clients and through any service providers.
3) Increase transparency among the partners and any stakeholders.
4) Accountability in the context of international trade is about the capacity to execute the right to make the different entities responsible; the capacity to agree warranties in contracts.

PPP is just one among many other ways that the public sector may decide to provide a service involving the facilitation of trade, especially under budgetary constraints. ~~For example it may wish to use cross border “Public Public Partnerships”.~~ Such traditional public sector service provision, may be retained completely within the public sector or may involve the private sector in some form. Nevertheless and increasingly private sector engagement, however small, is referred to as a “partnership” between the public and private sector regardless of the actual contractual relationship. The engagement of the private sector by the public sector in the delivery of trade facilitation justifies the need of this Recommendation to contribute to the right and proper implementation of PPPs. It provides for the conceptual framework and the concrete scope of applicability in trade facilitation, sharing knowledge and building the capacity to plan, execute and monitor a PPP project in TF, and showing case studies as best practices and pitfalls.

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2. Definitions of Public and Private Partnerships (PPP)

International organizations and the literature show different definitions of the term Public and Private Partnership (PPP). There is not a consensus in terminology, scope and contents all over the world about PPP, and the legal frameworks, if any, varies enormously from country to country. Additionally, there is a wide variety of business models in PPP which make it more difficult to identify them. A key issue in this Recommendation in PPP in Trade Facilitation is to ensure that the scope of this text is clear and well defined. The definition suggested in this Recommendation merges the definition of PPP issued in the "Guidebook on Promoting Good Governance in Public-Private Partnerships" (UNECE, 2008) and the definition of TF provided by the former TBG15 Chair, Gordon Cragge. Thus, Public-Private Partnerships (PPPs) in TF will be where, the simplification, standardisation and harmonisation of procedures and associated information flows required to move goods from seller to buyer and to make payment that facilitate trade is being undertaken on projects that involve some or all aspects of the private sector financing, designing, implementing and operating public sector facilities and services aim at financing, designing, implementing and operating public sector facilities and services through the simplification, standardisation and harmonisation of procedures and associated information flows required to move goods from seller to buyer and to make payment.

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~~This Recommendation uses the definition of PPP issued in the "Guidebook on Promoting Good Governance in Public-Private Partnerships" (UNECE, 2008) and the definition of TF provided by the former TBG15 Chair, Gordon Cragge. Thus, Public Private Partnerships in Trade Facilitation will be where, the simplification, standardisation and harmonisation of procedures and associated information flows required to move goods from seller to buyer and to make payment that facilitate trade is being undertaken on projects that involve some or all aspects of the private sector financing, designing, implementing and operating public sector facilities and services aim at financing, designing, implementing and operating public sector facilities and services through the simplification, standardisation and harmonisation of procedures and associated information flows required to move goods from seller to buyer and to make payment.~~

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There are four main characteristics in any PPP project:

a) A contract between the public sector and the private sector delivery partner.

b) An appropriate sharing of risk between the public and private sector (the risk owner being the the party best able to manage a risk.

c) Payments for service delivered (no guaranteed payment stream).

d) The transfer of risks to the private sector such a demand and performance.

~~There are three main characteristics in any PPP project:~~

~~e) Long-term service provision (sometimes up to 30 yeaars);~~

~~f) The transfer of risks to the private sector; and~~

~~g) Different forms of long-term contracts drawn up between legal entities and public authorities.~~

3.- Potential Benefits of PPP in Trade Facilitation

By providing a service under a PPP in TF, some advantages arise:

a) Improves the project selection. PPPs bring stakeholders to design, implement and improve TF reforms in infrastructures, ICT, border management, corridors … adding knowledge, operational experience, efficient business process and management, and financing projects.

b) Accelerates the infrastructure and services provision. PPPs bring stakeholders to coordinate, harmonize and standardize processes in international trade in a context of an organized free market to compete between private and public companies that could even attract foreign investments.

c) It includes stakeholders to simplify procedures, which reduces costs in international trade. This cost reduction could come direct or indirectly by reducing administrative procedures, reducing the clearance time, increasing transparency and reducing corruption, and accelerate economic development and revenue opportunities.

There are also significant potential benefits that can be driven by PPP. These advantages include:

a) Having access to the skills and resources of the private sector.

b) Increasing the potential for more streamlined and cost effective processes and service delivery mechanisms.

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c) Increased access to investment enabling business change to be incorporated in the service delivery contract.

d) More flexibility with regard to structure and business change.

However the PPP in Trade Facilitation is more likely to be successful if it conforms to a set of contract rules the first of which is the need for Good Governance. The effectiveness of PPP in TF has suffered from the lack of adequate regulatory structures to control both technical and economic performance of each project. Regulation of both qualitative and quantitative factors to evaluate a project is undeveloped. Also, the mechanisms of supervision, monitoring and control are not created or not adapted to neither to PPP projects and PPP in TF projects.

4. MAIN TYPES OF PPP PROJECTS.

- ~~DEFINITIONS OF PPP IN GENERAL (COMMERCIAL/INFRASTRUCTURE, DEVELOPMENTAL AND HYBRID/BLENDED AND TRIANGULAR)~~ (I DO NOT SEE THE DEFINITIONS

Although the types of PPPs vary enormously, two broad categories of PPPs can be identified: 1) the institutionalized kind that refers to all forms of joint ventures between public and private stakeholders; and, 2) contractual PPPs.[1] The institutional PPPs can then be broken down further into governmental capacity building, civil society strengthening and Health and Delivery Programmes (and similar). Whilst Contractual PPPs can be broken down in a number of different ways, the most useful for this paper is to differentiate between long term infrastructure Design Build Operate and Transfer contracts (often referred to as Hard PPP) and shorter term service contracts (referred to as Soft PPP), alongside these contracts are ICT PPP contracts that share some characteristics with the Infrastructure contracts but are typically short term in nature and have specific issues of their own that must be addressed such as data ownership and data protection as well as compatibility and integration with other governmental systems.

[1] Hybrid/Blending/ Triangular PPPs

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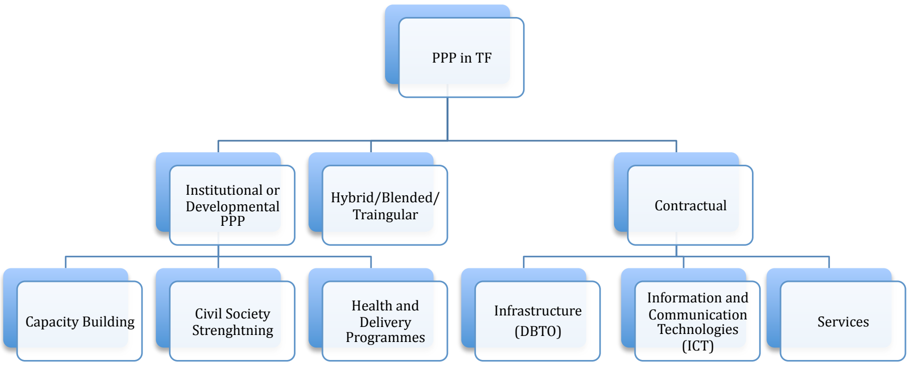
Finally there are a group of PPPs which comprise engagement by the private , public and third sectors. These typically occur when there is some kind of "market" failue an he PPP would not go ahead with out third sector investment or engagement to underwrite risk.

Figure 1: Main Types of PPPs Projects.



Source: Own elaboration.

The key characteristics are contained in the table below

Source: Own elaboration.

Figure 2.- Main Characteristics of ~~Commercial~~ Institutional Blended and Contractual PPP Projects.

CHARACTERISTICS	INSTITUTIONAL	BLENDED	CONTRACTUAL
Contract Required	No	Yes	Yes
Joint Funding	Yes	Yes or other risk sharing	No
Service delivered	Typically public/private sector fund that contracts for services.	By private sector on behalf of public sector. May be some third sector delivery	By private sector on behalf of public sector.
Risks	Both parties agree responsibilities and agree risk profile.	Build, or Design and Build. May be underwtien by Third Sector	Build, or Design and Build.
Payment	Normally jointly managed funds into which they contribute, and then, make	Service Delivered Could be a concession or unitary	Service Delivered Could be a concession or

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	payments to implementers.	charge	unitary charge
Contract Length	Joint Venture type relationship to provide funding to third parties.	Suitable period to cover cost of investment and make a reasonable return for private sector	3-5 years 7-10 years 25-30+ years

Source: Own elaboration

4.1- Institutional or Developmental PPPs ~~(Capacity Building)~~

Public Private Partnerships that are institutional are typically partnerships between the one or more public sector bodies and third sector organisations such as NGOs, and/or with foundations development PPP are those Public Private Partnerships where public money (such as USAID) is combined with private monies (from company social responsibility programmes, fundations, NGOs) in a joint fund to achieve a development objective. Typically, it may be capacity building, civil society system strengthening, and health delivery programmes.

4.4.- Hybrid

This type of PPP project consist of a public sector infrastructure or ICT project that needs to be undertaken with the private sector. Indeed, hybrid projects contain all the features of an Infrastructure or ICT PPP project, however the potential financial return is insufficient to attract private sector investors ~~Hybrid / Blending / Triangular PPPs~~

For such PPPs to be successful it is important for the objectives of the Public sector, Third Sector Donor (NGO) and the service deliver are likely to be complementary or aligned. For example the need for and success of a particular project is considered to be a vital economic growth enabler.

An example of a hybrid PPP project in TF could be a dry port, where the private sector may be finding difficulties in achieving a commercial return, and it is therefore necessary for them to find a donor to support the PPP project. In this example, for the project to be feasible the donor either would not be seeking any return for their investment or a low return at most.

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The underlying concept being that the donor will be taking a more strategic view regarding the benefits of the dry port for society as a whole rather than expecting to make a direct financial return on the project.

Support may come from the third sector in a number of different ways. The donor, usually a non-governmental organization (NGO) or a foundation, may provide direct (such as top up finance) or indirect support (such a loan guarantees).

- A loan guarantee (ie underwriting the loan) may help a service provider obtain cheaper finance from a bank at minimal cost to the organisation underwriting the loan. In turn the cheaper finance will contribute to making the Project more affordable.

- Provision of direct budgetary support . An NGO or a foundation provides third party financial backing to make a PPP project affordable. These direct financial contributions, are sometimes referred to as budgetary support. As the private sector is only financing a proportion of the overall project cost the contract should become more affordable.

- ~~2.5.1.- Typical Characteristics~~Aa
- Finally the third sector may construct or run part of a facility without any onward charge to the users or to the government, and the financing is all donor based. An example would be training of staff.

Where no donor was willing to support the project, the PPP feasibility study would need to be revisited with a view to re-scoping the project. If a lower cost project can be designed such that the project could generate a reasonable return for the private sector without third sector support it may be possible for the re-scoped project to go ahead as a standard PPP project. It is considered unlikely that hybrid PPPs will occur in trade facilitation.

4.3.- Infrastructure PPP Projects

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PPPs where there is a significant underlying asset that is constructed or renovated and then maintained as part of a service contract . Examples would include significant border control buildings, roadways and dry ports.

The main characteristics that Infrastructure PPP projects have are the following:

1. Design Build Transfer and Operate (DBTO) or similar.
2. Typically longer term contracts of up to 20, 25 or 30 years. Roadways and bridge projects could be even longer.
3. The types of infrastructure projects in PPP in TF include buildings, road ways, ports, trade corridors, customs, and dry ports. Service provider may require third party financing. ~~Roadways and bridge projects could be even longer.~~
4. As with all PPP projects fees are earned by the service provider during the operation phase of the projects.
5. Fees earned during service phase of contract NOT during the construction phase.

4.2.- PPPs of ICT

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There are significant issues that need to be considered with regard to ICT (Information and Communication Technology). The Supplier need to consider what ICT is required for their project and at the same time needs to consider whether the ICT can be standalone or needs to integrate with other governmental ICT.

If the ICT needs to integrate with other governmental ICT this must be clearly expressed at feasibility study phase so that it is not a surprise to any private sector bidders. If there is a need to integrate or to communicate with other existing systems this will have direct impact on the choice and cost of the ICT selected to deliver the PPP service. Sometimes the ICT element of a PPP is relatively small and it may not be cost effective for the service deliverer to take on the ICT delivery risk in which case the risk may be retained by government and then let as a separate ICT contract to a specialist supplier.

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Typically shorter term contracts last of up to 7 to 10 years. Because of the speed of advancement in technology, suppliers are reluctant to take on the technology upgrade beyond the first refresh. Therefore, there is no effective risk transfer with regard to redundancy of technology beyond approximately five years, so unless the supplier is willing to take on this

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risk longer term, there is no “PPP” value in the contract when the second refresh occurs at year 10.

Significant issues have arisen in Secondly the access to that data by the public sector when required is critical to the normal operation of Government. Therefore, there are a number of issues that need to be addressed:

a) Who will own the ICT?

b) Who will own the licences (Government)?

c) Can the ownership of the licences be transferred?(should be yes)

d) Who will own the data? (should be Government)

e) Will the data sit on supplier servers?

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5.- GENERIC BEST PRACTICE MODEL (Options Appraisal)

The generic format of a PPP project include the following stages: Design, Build, Transfer, and Operate (DBTO). A PPP project that performs the DBTO phases, shares the tasks as follow:

1. Design (by private sector)
2. Build (by private sector)
3. Transfer (assets back to public sector); and
4. Operate (by private sector)

1. Design. The design captures the innovation of private sector and allows exploration of potential solutions that may not have been considered. It could be that the design is a joint exercise between the public authorities and the private sector, or a separate competition. If the latter, then, there are needs to be some sharing of risk between the design team and the service provider.

2. Build. The build and associated risk remains with the private sector. There is an assumption here that the private sector can best manage the risks associated with the build phase leading to a project delivered ~~to~~ on time and costs.

3. Transfer. Following successful completion of the construction phase the ownership of the underlying assets should be transferred to a suitable public sector authority/authorities. If such an authority does not exist, then the ownership of the assets should remain with the service provider until ~~such time as such an~~ such time an "authority" is set up. It is important to highlight that the asset is owned by the public sector in the event that the PPP is cancelled or the service provider fails to provide the service that the assets are already within the control of the public sector and the public sector can take control of the assets in order to deliver the required service or services.

4. Operate. The operation of the service should remain with the service provider for the duration of the contract (subject to performance and contract terms).

~~Therefore, there are other aspects that we hav~~

~~**5. Risks**~~

In a PPP each of the public and private sectors should do what they do best. Thus, government should play its role in planning and facilitate trade, policy, and regulation. In turn, private sector should manage human resources and the businesses efficiently; develop the market by delivering quality services, investment might come from either the public or

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private sector. A joint risk schedule should form part of the contract that clearly identifies the ownership of risks. At the lowest level no risks should be "shared" thereby giving clarity as to who is responsible for mitigating and managing risks.

THIS SENTENCE NEEDS AN INTRODUCTION OR PUT IT IN CONTEXT:

Contract Term

The optimal period for an infrastructure project assumes the operating contract for the provision of services post construction coincides broadly with the life expectancy of the asset. The business case is based on the ability of the supplier to make a return and for the project to be affordable (to payees) over the period.

There are three considerations when agreeing the length of a PPP contract. Investment cost, affordability and life of the asset.

The length of time it takes for the service provider to pay of its debts and to make a reasonable return will be affected by the need to keep the prices affordable. A large infrastructure project will typically have longer contract length as it will need a longer period before the initial outlay (eg loan) is recovered before a reasonable return can be achieved. The more that can be charged through fees either to users of the services or to the government then the shorter the contract can be. This depends on how much the users and government can afford or are willing to pay.

The Public Sector should retain the right to cancel the contract as a consequence of inadequate or non-performance. If the asset is still with the service provider a transfer clause is required for the Government to recover the asset.

6.- GENERAL HEALTH WARNING ON SUITABILITY OF PPP FOR TF

To decide on the delivery mode of a specific service or project, governments and private sector should conduct a value-for-money analysis that determines whether delivery as a PPP or a traditional procurement financing is the cheapest option on a whole-life-cycle cost basis. The value-for-money consist of the evaluation the cost and the benefits of the project. This process has to be unbiased and thus should be based on high-quality data and a clearly specified and standardized evaluation process. The value-for-money appears in PPP if the net positive gain is greater than any alternative way to provide the service.

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The value-for-money quantitative assessment in a PPP project has to include the costs of the investments, operations, upgrading and maintenance, but also, the financing costs, and the transaction and contract oversight costs. Additionally to the costs, the value-for-money assessment includes the benefits of providing a PPP project, such as, the improvements in the service delivery and the predictable changes in end-user requirements.

7 - RISK

In any type of PPP project, risks allocation and management are critical in order to provide responsibility, accountability and back the cost associated with the following topics:

1. Objective of the project, its design and development (including implementation, certification, transition,...).
2. The funding and financing structure through the length of the contract.
3. The quality of service standards agreed (in frequency, speed, availability, continuity, updated and innovative solution/technology..)
4. The variability of the demand and the appearance of competitors (with the same service o new solutions)
5. The residual value of assets when the transfer risks and the end of the contract occurs.

The risks assessment should reflect the evaluation of potential of additional costs and the consequences of each risks. When an accurate monetary evaluation of risks is made in a PPP project it is easier to estimate the price that each party should be willing to pay to transfer the risks from the public to the private sector and vice-versa.

To provide the value for risks, a probability factor is introduced using the following formula:

Value of risks = Outcome – ((Consequence of risk* probability of risk event) + contingency)

In order to evaluate the consequences of a risk in monetary terms, a risk identification and its consequences analysis must be made. In a PPP project the types of risks that could occur should be:

TYPE OF RISKS	RISKS DESCRIPTION	MONETARY CONSEQUENCES OF RISKS	EXAMPLES
Commissioning	This risk appears when a	Costs from delays and	

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risks	licence, administrative permission, or an output specifications needed is not reached	maintenances	
Construction risks	Delays, exceed the budget or not follow the specification	Cost of construction and/or maintenance	
Demand risks	Less revenues	Financial cost	
Design risks	The project design is unable to meet the performance and service requirements in the output specification.	Redesign costs, construction costs and/or delay costs.	
Political risks	Unsecured legal framework, dispute resolution, the regulatory framework, government policy, taxation, expropriation and nationalisation.	Asset costs, financial costs, interest rate costs, inflation, discount costs	
Environmental and social risks	Environmental externalities	Construction and maintenance costs	
Financial risks	Funding risks	Delay costs, financial costs	
Performance risks	The project is unable to reach the results needed	Less revenues, maintenance costs	
Operating risks	Inefficiencies in the project development and exploitation	Less revenues, maintenance costs	
Latent defect risks	Inherent and hide risks in the construction of the project (infrastructure or equipment)	Permission costs, delay costs, construction and maintenance costs	
Technical and technological risks	The project is unable to provide a valid solution for partners and/or consumer and clients	Less revenues, maintenance costs	
Residual value risks	The loss of the value of assets budgeted at the moment to transfer the contract	Financial costs	
Industrial relation risks	Risk of conflict of interest management among the partners of a project	Delay costs, financial costs, construction costs and/or delay costs	

Source:

8.- Economic Assessment (Value For Money)

(Value for Money – VFM / economic assessment / environmental)

The financial source of investment could come from the private sector in the form of debt or equity and the source of the revenue that will pay back the investment (by taxes, user charges, or price of the services,..). However, the financial source of investment is more linked with the risks of a PPP project, and the source of the revenue is more linked with the business model and the value for money in a PPP project.

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PPP projects allow to joint the best of two approaches: the public sector introduce terms of efficiency (reducing cost, allocating resources, and increasing profitability), client orientation and service quality; and the private sector bring the defence of general interest, planning and regulation.

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When a bidding process is used in a PPP project to select the private sector party, the efficiency is increased by selecting the best proposal based on the technical solution, the budget needed, the operational feasibility, the quality and variety of services provided and the compliance with environmental standards and/or the society. The best solution that win the bid, reduce the risks of the project.

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The project should find the best way to allocate and manage the risks (and the costs associated with those risks) among the parties during the full length of the PPP contract in TF, which should be held by the parties best able to manage them. This risks allocation and management has an influence in the whole management of the project, but also in the Value for Money calculation.

The business model of a PPP project in TF should find the balance among:

a) the way in which the private sector recover the investment done in the project;
b) the public or clients get a benefit from the service received and have the willingness to pay for it; and
c) the public sector is able to implement politics, programs and infrastructures efficiently which may partially or totally finance the PPP project in TF with taxes and grants.

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VFM is the balance of revenues and costs of any PPP project. The business model should derive a positive Value for Money. If there is a negative VFM assessment, this means that there are negative synergies that cause inefficiencies to the project.

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At the same time that the VFM should be accurately calculated, projects should consider options and variations and compare these to the original project specification (in technical requirements, technology, methodology) in order to achevie best value for money. This flexibility should not be used as a tool to avoid transparency and good governance.

The main factors that affect the assessment of VFM in a PPP project are the following:

a) Bid criteria.
b) Delays during the project.
c) Penalties mechanisms (lack of quality, unreachable deadlines,….).
d) Poor specification of risks allocation and management (and the cost associated with the transferable and retained risks.
e) Unrealistic affordability calculation (poor cash-flow estimation and unrealistic assessment of the capability to attend payment commitments).
f) Possibility to re-competing contracts in regular intervals during the PPP project in TF.
g) Low demand of the service.
h) Inappropriate pricing or taxes recovery.
i) Investments in new capital assess during the contract duration.
j) Property rights payments associated to the service delivery of the PPP project in TF.
k) The use of economies of scale in any stage of the project.
l) Interest rates, taxes, inflation, discount rates, and exchange rates estimation.
m) Positive and negative externalities of the project.
n) Variable, semi-variable and fixed (direct and indirect) costs.

There are specific difficulties in calculating VFM for each type of PPP project in TF. VFM depends on risks assessment, risks allocation (public or private), the length of the PPP project, the demand, the sources of revenues for the project (taxes, grants, price paid by customers,..).

A number of options should be evaluated to determine the option that provides the best value for money.

This should include an economic impact study (not just the impact of the facility itself, but also the impact on the economy itself [the local area, for example]). This is undertaken using discounted cash flows and by calculating an equivalent annual charge. VFM is not always the

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affordable option (particularly if you think about adding in transfer of asset costs into the contract)

Other Aspects:

1. Estimation of maintenance / service updating costs for delivering the product (especially important for longer-term project) – i.e. the whole life cost (build, maintenance, renewal).
2. Environmental impact

8.- AFFORDABILITY

As well as assessing Value for Money the business case also needs to assess the affordability of the project. We have to think here how the project is going to be funded and

- will sufficient funds be available to the government throughout the whole life of the deal to make payments to the service provider. Or

- where users are expected to make payments will the fees be low enough not be affordable or at least not be so high as to be off putting to the users, resulting in insufficient demand fro he services offered.

If there are insufficient funds the appropriate actions suggested are:

1. To seek additional funds to support the scheme (from internal or external sources).
2. Review the scheme to see if the scope or specification or performance levels can be adjusted to reduce the overall cost.
3. Consider different and mixed charging and budget support mechanisms.
4. If the budget gap cannot be bridged to make a clear decision not to go ahead with the scheme.

In some cases there may be conflict between the scheme that delivers best value for money over time and the scheme that is most affordable.

It maybe that budget or other financial/treasury constraints mean that the only affordable

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option is for a government to commission service delivery through the PPP mechanism[2]. However, although PPP projects has many advantages mentioned before, the PPP projects could create number of pitfalls as set out below:

a. Generation of super profits.

In addition to undertaking a full value for money assessment, using a risk adjusted whole life costing, there also needs to be careful consideration to the contractual commercial clauses associated with payment and reward mechanisms, step in and exit clauses and the freedoms and rights that the contractor (the private sector) has in order to operate the service and to generates additional revenue streams.

b. Barriers to trade

It is important that the private sector is restricted from operating in a manner that will or might create barriers to trade, these barriers could be in the form of tolls, levies, or physical such as invasive searches to time associated with the administration required to pass through border posts.

c. Risk of the PPP Models: Public Sector Perceptions.

It should be noted however that the overt use of the private sector can lead to resentment from the public and if they believe that the private sector is unfairly benefitting from the contractual arrangements it can lead to problems, non compliance and avoidance.

A lot of PPPs fail because they are not "affordable". For those PPP projects where the public sector make a regular payment for services received over the lifetime of the project it may be that insufficient funds have been made available to pay the service provider the charges over the lifetime of the project. The level of funding will be determined by national (or regional or supra-national) budget. Before the project commences the Public Authority needs to secure the revenue funding required to support the operational phase of the project. In some cases, the charges will be levied on members of the public but there may be a need to subsidise the operation. This will normally be planned as any direct charges will be regulated and are unlikely to cover the full cost of the operation.

For example, a government department may sign a deal with a contractor, which contains a price escalator to deal with the impact of inflation on the service provider over the period of

[2] This was the case in the 1990s in the UK where the UK government chose to lilit (WHAT DOES LILIT MEANS ?) borrowings required to undertake capital projects, and therefore in terms of affordability the only realistic option was to undertake proejcts using the PPP route which enabled payments to be made from revenue rather than capital.

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the contract. The basis may the same as that used internally within government in which case if internal funding continues on the current basis for the period of the contract and the funding is available there should not be a funding gap. However, if the funding basis changes or the government adopts a different inflation escalator over a period of time the government department may no longer have the funds to support the contract. If the department applies for additional funds and these are not forthcoming the public sector may have to renegotiate terms or default.

The system implementation should be self-financing from additional revenues generated. If there is a net cost, then the system should not be introduced. Another reason that there might be funding gap is as a result of the system of pledging resources that may or may not materialise. An example of this may be a trade corridor that either impacts on, morethan one country and one country decides not to go ahead with its part of the deal or can nolonger afford to make contributions to the unitary charge.

As part of the affordability analysis any such resources should be clearly identified, as the sponsor/donor may withdraw their support and render the project unaffordable.
If money is not available, such a scheme would have to be self-financing. But if cost of use becomes a barrier to trade, should not be a PPP.

9. - Transparency

Including the participation of the private sector in trade facilitation could increase the quality of the services provided, but care must be taken and mechanisms must be created in procuring the services in a transparent manner and ensuring that the contractual mechanisms are in place to minimise behaviours that effectively lead to an increase rather than a reduction in the barriers to trade.

In this context, public consultation is one of the key tools employed to improve transparency, efficiency and effectiveness. Any consultation process in PPPs improve management effectiveness, regulation and governability (see Recommendation of Best Practices in Trade and Government Consultation on Trade Facilitation Matters, UN/CEFACT 2014).

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Public Private Partnerships in Trade Facilitation are more likely to succeed if they incorporate the following characteristics (general/standard and specific characteristics) that seek to maximise transparent and partnering behaviours.

General (standard) Characteristics

1. A full business readiness diagnostic should be undertaken to confirm the procurement route and the findings reflected in the feasibility study and business case.
2. An independent and transparent feasibility study and business case should be developed.
3. The Procurement itself should transparent and follow good practice procedures.
4. The Private sector supplier should be entitled to make a reasonable return.
5. Risks should be shared such that the party that accepts any risk is the party best placed to manage that risk.
6. The supplier should only be paid for the quality service (performance availability and usage) delivered.
7. At the end of the contract, the supplier should transfer back to the public sector a serviceable asset.
8. Effective Public Sector Governance should be in place throughout the contract.
9. Both parties should support a monitoring and evaluation regime.

Specific Characteristics

1. The private sector should take the specification compatability and interoperability risk of all Computer assets, including screens keyboards servers and other related devices
2. In order to ensure business continuity and security of data all such assets as specified and procured should be owned by the Public sector
3. In the event of supplier failure Assets should be transferred to the public sector
4. The service should be set up as a social enterprise (or similar) where any super-profits are reinvested in the advancement of trade facilitation
5. As far as possible the contract should ensure that both public revenue and private sector income is retained within the countries of operation
6. That any levies or charges on the public are agreed by the government of the country and not the contractor.

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7. The contractor is paid for service delivery by the government for quality of service (usage/performance /availability) and not directly from revenues collected

Transparency and accountability are the best tools to ensure lack of corruption. One of the characteristics of transparency is the access to the information. In a PPP project in TF not only the partners of the project should access to the information: information should be accessible for any stakeholders. In an environment fully transparent, all the information about the project should be accessible and explained in an understandable way.

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Partners in a PPP project in TF should be fully informed about:

a) The range of services included in the contract
b) The level of execution/performance of the project in regular basis
c) The revenues, benefits and performance levels agreed and achieved
d) The use of government grants, guarantees and other financial support including significant risk-bearing
e) The stream of payments and costs of the project.
f) Any changes made since the contract was originally signed and side agreements including government guarantees.
g) The creation of mechanisms to reduce corruption, or inefficiencies (IT solutions, supervision agency, verification systems,…).
h) Future stream of payments and government commitments under PPP contracts
i) Risks allocation and accountability system to protect the aim of the project against individual interests.

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10. – Good Governance

The supporting guidance notes address good governance in PPPs, based on transparency, accountability and a clear, predictable and appropriate legal and institutional framework, covering budgetary and fiscal processes as well as the procurement and contractual aspects of PPPs.

Good governance in PPPs is a topic that has recently been addressed in international norms and standards. The UN Convention against Corruption (UNCAC) contains provisions relevant to PPPs in article 9 ("Public procurement and management of public finances") and

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article 12 (“Private Sector”), supplemented by requirements in article 10 for public reporting and transparency (access to information concerning public administration and periodic public reporting). Article 9 focusses on procedures for the adoption of the national budget; timely reporting on revenue and expenditure; accounting, auditing and oversight; risk management and internal control systems; and measures to preserve the integrity of relevant documentation. Article 12 requires measures to prevent corruption involving the private sector, referring specifically to PPPs and corporate governance.

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The OECD’s Principles for the Public Governance of PPPs set out the need for a clear, predictable, legitimate and appropriately resourced institutional framework — involving public awareness through consultations of the relative costs, benefits and risks of PPPs and public procurement; the need to maintain key institutional roles and responsibilities (to ensure prudent procurement process and clear lines of accountability); and the need for regulation to be clear, transparent, enforced and not excessive. They also discuss the need for a transparent budgetary process to minimize fiscal risks and ensure integrity of the procurement process in PPPs, with disclosure of all costs and contingent liabilities and the need to ensure the integrity of the procurement process.

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Ensuring appropriate good governance standards is a critical pre-requisite where donor funds are sought as co-financing but it is desired that the PPP operate under the country’s own framework; if the donors agree to this use of country systems, the fiduciary assurance obligations of the donors will require them to be as rigorous as the donors’ own (some donors will in any event insist on their own systems).

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10.1.- Protection of commercially or otherwise sensitive information

While the principle is full disclosure in [the above] areas, there need to be appropriate safeguards to avoid the disclosure of information that should remain confidential. The public

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authority may occasionally be prohibited by law from disclosing some information – e.g. public health and welfare information, depending on the nature of the market concerned, or where the law of the land requires prior judicial authorization to disclose information. More commonly, commercially sensitive information that could impede fair competition under the current PPP in TF or a future PPP in TF should not be disclosed. As an example of this, we can think in a set of to competitors for a particular contract, in which information arising in one contractual relationship that might affect competition in other contractual relationships.

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Given the need to apply the overriding principle and to avoid abusive reliance on this type of exemption, however, the standards should refer to legal sources that define or describe the information that can be withheld, and categories of authorized or unauthorized persons for the purpose. The possibility of legal challenges to decissions in this context should be contemplated, further highlighting the need for a clear regulatory framework.

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Sources: UNCITRAL Model Law on Public Procurement, article 24, accompanying Guide to Enactment, and Procurement regulations, available at
http://uncitral.org/uncitral/uncitral_texts/procurement_infrastructure.html

Figure 3. Governance: Public Sector Service Contract and Management Relationship Team

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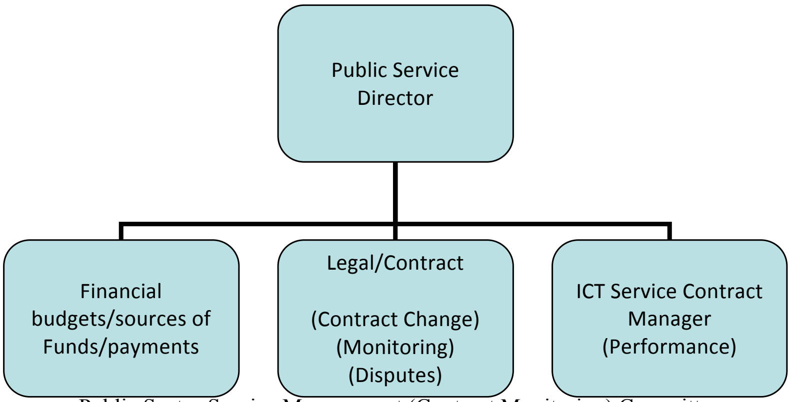

Public Sector Service Management (Contract Monitoring) Committee

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Figure 4. Contract Governance: Reporting and Monitoring and Management

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	GOVERNANCE	RESPONSIBILITY	SUB COMMITTEES	CORE

	BODY		REPORTING	MEMBERSHIP
1.1	Annual Partnering Board		Deal with high level relationship issues and any staffing concerns High level strategic discussion	Senior representation from Govt dept meets senior rep from Private sector partner others by invitation only
1.2	Quarterly Contract Board	Board sits on a quarterly basis to consider contractual issues including contract changes Quality management risk management performance and payments resolution	Sub Committees a. Contract Changes b. Performance and Payment Dispute Resolution c. Processes and Procedures d. Quality Management e. Exit and transfer of Assets	Public and Private Reps Service Director Legal Financial Contract Manager Commercial Users
1.3	Monthly Performance Board	Agree Performance report and Authorise payments to supplier	Report to Quarterly Contract Sub Committee Prepare Performance Report and calculation of payments	Commercial managers Contract Managers Service Managers
1.4	Weekly Meeting	Small issues that can be quickly resolved, Report to Monthly Board on Activity	Local contract manager (meeting could be by phone) But any actions taken must be reported to Monthly Board	Service Manager

14. SPECIAL LEGAL AND CONTRACTUAL CLAUSES

Contacting Parties
Indemnities
Services Required
Services to be provided
Payment and Performance
Direct Agreements (Public Sector with Funders)
Contract Change
Dispute resolution
Condition Surveys
Acceptance of any underlying Asset
Ownership of Assets
Ownership of Data (ICT)
Use of Data (ICT)
Condition of Assets
Public Sector Audit Rights
Governance
Exit Clauses
Possible clauses re transfer of staff
Risk Schedule

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13. PPP IN TF – KEY CHARACTERISTICS

	INFRASTRUCTURE	ICT	CAPACITY BUILDING
KEY CHARACTERISTICS	Design Build Transfer and Operate (DBTO) or similar. Typically longer term contracts of up to 20, 25 or 30 years. These include buildings, road ways and dry ports. Service provider may require third party financing. Roadways and bridge projects could be even longer As with all PPP projects fees are earned by the service provider during the operation phase of the projects Fees earned during service phase of contract NOT during the construction phase	ICT (Information and Communication Technology) Infrastructure 1. Eg single-window 2. Eg E-procurement systems 3. Eg CCTV/identification cameras/charging cameras	Development PPP are those Public Private Partnerships where Public money (such as USAID) is combined with private monies (from companies, Foundations, NGOs) in a joint fund to achieve a development objective. Typically it may be capacity building, civil society system strengthening, health delivery programmes. A development PPP may be used to train Customs and Revenue officials
BEST PRACTICE MODEL	Design, Build, Implementation, Transfer, Operate	Design, Build, Implementation, Transfer, Operate **Design** System to integrate appropriately with related wider government systems. System to reflect local conditions, ie reliable power supply/back up power supply/ robust kit, secure comms (possibly satellite) **Build** Supplier to recommend and supply kit to Authority. Supplier to take risk on compatibility issues regarding the recommended kit. **Implementation** Supplier to install all equipment and commission the system. The supplier may have a simple support contract to maintain the ICT or may have a wider brief to provide the full service or part of the service. **Transfer** Following build and implementation all	

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		hardware and communications equipment to be transferred to the ownership of the authority.	
BARRIERS TO TRADE	1. Need to align cross border applicable legislation 2. Need to align existing systems and processes which may be incompatible with existing systems and processes 3. Any Service provider should be seeking to minimise processing time 4. If possible, along a trade corridor repeat processes should be eliminated.	1. Incompatible systems – failure of systems to talk to one another – lack of a genuine single window and the time / cost associated with that. 2. User Charges-entry/processing/registration charges set a level that may discriminate against SMEs and local service providers, 3. Charges set by supplier (service provider) rather than controlled and capped by a public authority 4. An unexpected consequence of contractual performance and payment causes the Operator behaving in a way that maximises their revenue that slows down or impedes trade	No Implication Investment in TF Development PPPs should lead to a more transparent environment as it would focus providing resources for implementing best practice and capacity building

INSTITUTIONAL

KEY CHARACTERISTICS	Development PPP are those Public Private Partnerships where Public money (such as USAID) is combined with private monies (from companies, Foundations, NGOs) in a joint fund to achieve a development objective. Typically it may be capacity building, civil society system strengthening, health delivery programmes. A development PPP may be used to train Customs and Revenue officials
BEST PRACTICE MODEL	
BARRIERS TO TRADE	No Implication Investment in TF Development PPPs should lead to a more transparent environment as it would focus providing resources for implementing best practice and capacity building.
CHARGING	User charges These programmes are normally free to the recipients . Contracts are let to third parties to deliver the programme on behalf of the Fund Partners. The service delivery may be through training, or through technical support and advice.
PERFORMANCE MODEL	Contracts will be signed with service providers. Payments will be made to the service provider. The contract will have a performance mechanism based on the quality of service as assessed by the users and/ or and will be subject to outcomes achieved as a consequence of the service provided. For example the generation of increased revenues.
CONTRACT LENGTH	These PPP programmes are relatively short from a few months to three to five years(although in the health sector they may be as much as 7 years)
ASSET OWNERSHIP	There are normally no significant assets associated with a development PPP.
RISK MANAGEMENT	Development PPPs often use computers and related software. A key issue is to ensure that any such training would be undertaken on appropriate platforms.

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ICT

KEY CHARACTERISTICS	ICT (Information and Communication Technology) Infrastructure a) Eg single-window b) Eg E-procurement systems c) Eg CCTV/identification cameras/charging cameras
BEST PRACTICE MODEL	Design, Build, Implementation, Transfer, Operate **Design** System to integrate appropriately with related wider government systems. System to reflect local conditions, ie reliable power supply/back up power supply/ robust kit, secure comms (possibly satellite) **Build** Supplier to recommend and supply kit to Authority. Supplier to take risk on compatibility issues regarding the recommended kit. **Implementation** Supplier to install all equipment and commission the system. The supplier may have a simple support contract to maintain the ICT or may have a wider brief to provide the full service or part of the service. **Transfer** Following build and implementation all hardware and communications equipment to be transferred to the ownership of the authority.
BARRIERS TO TRADE	a) Incompatible systems – failure of systems to talk to one another – lack of a genuine single window and the time / cost associated with that. b) User Charges- entry/processing/registration charges set a level that may discriminate against SMEs and local service providers, c) Charges set by supplier (service provider) rather than controlled and capped by a public authority d) An unexpected consequence of contractual performance and payment causes the Operator behaving in a way that maximises their revenue that slows down or impedes trade
CHARGING	User charges Ideally use a unitary charge payable by government and subject to a performance and availability mechanism Transaction charges to the user – these may need to be limited so as not to impede trade and should be set by government and not be linked to the cost of the contract. Otherwise there is state shadow charging The Supplier should be paid a pre-agreed fee or set of fees. Any element specifically tied to the generation of additional revenues should be capped to ensure that supplier does not generate super profits by operating the service on behalf of the public sector.
PERFORMANCE MODEL	There are two elements: 1.- Performance(ie speed of response) and availability of the system 2.- Availability of the system – and ability to handle a specific amount of traffic at anyone point. This would normally be an acceptable risk to the contractor – although this may limit the ability to future proof the technology (for example if trade doubles beyond expected growth over the contract period)… although in that scenario you could define server response times.
CONTRACT LENGTH	PPP is a poor choice for long term PPP contracts and typically ICT contracts are shorter than Infrastructure projects due to the rapidly changing pace of technology. ICT service providers will not typically take on the risk of technological change after the first "refresh (normally approximately 5 years and certainly no more than 10 years.

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	Typical Contract lengths: • Three to Five years (departmental or local projects) • Five to Seven years Large (departmental and expensive projects) • Eight to ten years (large national ICT project) • Ten to fifteen years (Major very expensive nationally important ICT projects) The smaller the ICT component and the larger the service domain element the more the likelyhood is for a five year contract with possible extension and that trade software would need to be mobile technology for smaller traders – particularly in Africa where mobile technology is more mobile based than in say the UK where there is a greater proliferation of land based internet technology.
ASSET OWNERSHIP	As far as possible assets should be transferred into public ownership as soon as possible following construction. Depending on the type of PPP (DBOT may transfer ownership a later time; but many recent PPPs are looking to have the transfer of ownership at an earlier stage)
RISK MANAGEMENT	Ideally the Public Sector should contract separately for the wider service delivery and restrict the "PPP" contract to the technical delivery of the system. All hardware, software and communications to be "recommended", provided and implemented, by the contractor The System implementation and operation should be integrated with existing government systems, based on fixed fee for implementation and operation. Performance and availability mechanisms should be in place with the opportunity for a supplier to earn back some of the income lost by improved performance etc.

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INFRASTRUCTURE

KEY CHARACTERISTICS	Design Build Transfer and Operate (DBTO) or similar. Typically longer term contracts of up to 20, 25 or 30 years. These include buildings, road ways and dry ports. Service provider may require third party financing. Roadways and bridge projects could be even longer As with all PPP projects fees are earned by the service provider during the operation phase of the projects Fees earned during service phase of contract NOT during the construction phase
BEST PRACTICE MODEL	Design, Build, Implementation, Transfer, Operate
BARRIERS TO TRADE	a) Need to align cross border applicable legislation b) Need to align existing systems and processes which may be incompatible with existing systems and processes c) Any Service provider should be seeking to minimise processing time d) If possible, along a trade corridor repeat processes should be eliminated
CHARGING	Unitary Charge (example of topics that could be included) In order to minimise the barriers to trade the supplier should be paid according to a robust payment model. The service provider should be paid according to performance and availability of service. There should be no direct association between the level of charges at the border posts dry ports etc, and the receipt of income by the service provider. Rather the number of units charge and the accuracy of that charging should be the clear indicators used to pay the service provider against an agreed initial payment schedule. Any bonuses must be limited in scope and financed from the use of best practice operations rather than through perceived harassment or the slowing down of traffic creating a trade barrier. With direct charging the income collection by the service provider is vulnerable to alternative routes that enable their service points to be bypassed. National and international infrastructure and trade facilitation policies The unitary charge may comprise budgetary sourcing from more than one national entity. In such circumstances it may be case that direct charging is less risky for the service provider
PERFORMANCE MODEL	The performance mechanism associated with the unitary charge should take into account any such polices that affect the usage and payment of dues by users on the service provider. Some examples that could be used as a performance model) On the assumption that users are not directly charged and an availability of asset seems easiest solution. Roads can be done on number of lanes availability or average time travelled between two points Ports on number of docking spaces available, or turnaround times. More analysis is required on specific projects to understand the benefits of one approach over another. Government sets a KPI (for the operator / service provider). Service model (how should the Service Provider respond to customers) A Monitoring and evaluation mechanism needs to be established.

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CONTRACT LENGTH	Long enough for the asset to generate suitable income for the private sector and allow secondary investments – thus making it an attractive investment prospect. Keeping in mind that it should not become a barrier to trade. Overall compensation to the Service Provider needs to provide them with a *reasonable return*. Public sector aspects to be brought in here. Contract needs to be long enough to allow private sectors to want to participate in PPP; but also important for public sector to look over how contract is managed/operated so that when and if they take over the project, they will have been able to absorb the aspects that make it work in the first place. Length of contract should depend on the type of PPP project (see below).
ASSET OWNERSHIP	
RISK MANAGEMENT	Important to consider local legislation. For example Facilities such as ports may not be able to be held as private sector assets Legally the private sector may not be able to deliver certain services – if legislative environment is not taken into consideration, it might be perceived as a barrier to bidding for the PPP). A PPP service may start and later be proven that it is actually not a service which can be provided by the private sector – health services, for example) Therefore consideration must be given to revising local legislation Risks associated with the physical assets remain with the service provider regardless of ownership

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CHARGING	Unitary Charge (example of topics that could be included) In order to minimise the barriers to trade the supplier should be paid according to a robust payment model. The service provider should be paid according to performance and availability of service. There should be no direct association between the level of charges at the border posts dry ports etc, and the receipt of income by the service provider. Rather the number of units charge and the accuracy of that charging should be the clear indicators used to pay the service provider against an agreed initial payment schedule. Any bonuses must be limited in scope and financed from the use of best practice operations rather than through perceived harassment or the slowing down of traffic creating a trade barrier. With direct charging the income collection by the service provider is vulnerable to alternative routes that enable their service points to be bypassed. National and international infrastructure and trade facilitation policies The unitary charge may comprise budgetary sourcing from more than one national entity. In such circumstances it may be case that direct charging is less risky for the service provider	User charges Ideally use a unitary charge payable by government and subject to a performance and availability mechanism Transaction charges to the user – these may need to be limited so as not to impede trade and should be set by government and not be linked to the cost of the contract. Otherwise there is state shadow charging The Supplier should be paid a pre-agreed fee or set of fees. Any element specifically tied to the generation of additional revenues should be capped to ensure that supplier does not generate super profits by operating the service on behalf of the public sector.	User charges These programmes are normally free to the recipients . Contracts are let to third parties to deliver the programme on behalf of the Fund Partners. The service delivery may be through training, or through technical support and advice.

PERFORMANCE MODEL	The performance mechanism associated with the unitary charge should take into account any such polices that affect the usage and payment of dues by users on the service provider. Some examples that could be used as a performance model) On the assumption that users are not directly charged and an availability of asset seems easiest solution. Roads can be done on number of lanes availability or average time travelled between two points Ports on number of docking spaces available, or turnaround times. More analysis is required on specific projects to understand the benefits of one approach over another. Government sets a KPI (for the operator / service provider). Service model (how should the Service Provider respond to customers) A Monitoring and evaluation mechanism needs to be established.	There are two elements: 1.- Performance(ie speed of response) and availability of the system 2.- Availability of the system – and ability to handle a specific amount of traffic at anyone point. This would normally be an acceptable risk to the contractor – although this may limit the ability to future proof the technology (for example if trade doubles beyond expected growth over the contract period)… although in that scenario you could define server response times.	Contracts will be signed with service providers. Payments will be made to the service provider. The contract will have a performance mechanism based on the quality of service as assessed by the users and/ or and will be subject to outcomes achieved as a consequence of the service provided. For example the generation of increased revenues.
CONTRACT LENGTH	Long enough for the asset to generate suitable income for the private sector and allow secondary investments – thus making it an attractive investment prospect. Keeping in mind that it should not become a barrier to trade. Overall compensation to the Service Provider needs to provide them with a *reasonable return*. Public sector aspects to be brought in here. Contract needs to be long	PPP is a poor choice for long term PPP contracts and typically ICT contracts are shorter than Infrastructure projects due to the rapidly changing pace of technology. ICT service providers will not typically take on the risk of technological change after the first "refresh (normally approximately 5 years and certainly no more than 10 years. Typical Contract lengths: • Three to Five years (departmental or local projects) • Five to Seven years Large	These PPP programmes are relatively short from a few months to three to five years(although in the health sector they may be as much as 7 years)

	enough to allow private sectors to want to participate in PPP; but also important for public sector to look over how contract is managed/operated so that when and if they take over the project, they will have been able to absorb the aspects that make it work in the first place. Length of contract should depend on the type of PPP project (see below).	(departmental and expensive projects) • Eight to ten years (large national ICT project) • Ten to fifteen years (Major very expensive nationally important ICT projects) The smaller the ICT component and the larger the service domain element the more the likelyhood is for a five year contract with possible extension and that trade software would need to be mobile technology for smaller traders – particularly in Africa where mobile technology is more mobile based than in say the UK where there is a greater proliferation of land based internet technology.	
ASSET OWNERSHIP		As far as possible assets should be transferred into public ownership as soon as possible following construction. Depending on the type of PPP (DBOT may transfer ownership a later time; but many recent PPPs are looking to have the transfer of ownership at an earlier stage)	There are normally no significant assets associated with a development PPP.
RISK MANAGEMENT	Important to consider local legislation. For example Facilities such as ports may not be able to be held as private sector assets Legally the private sector may not be able to deliver certain services – if legislative environment is not taken into consideration, it might be perceived as a barrier to bidding for the PPP). A PPP service may start and later be proven that it is actually not a service which can be provided by the private sector – health services, for example) 1. Therefore consideration must be given to revising local legislation 2. Risks associated	Ideally the Public Sector should contract separately for the wider service delivery and restrict the "PPP" contract to the technical delivery of the system. All hardware, software and communications to be "recommended", provided and implemented, by the contractor The System implementation and operation should be integrated with existing government systems, based on fixed fee for implementation and operation. Performance and availability mechanisms should be in place with the opportunity for a supplier to earn back some of the income lost by improved performance etc.	Development PPPs often use computers and related software. A key issue is to ensure that any such training would be undertaken on appropriate platforms.

	with the physical assets remain with the service provider regardless of ownership		

Annex Country Diagnostic. Business/economic/legal/institutional environment
Annex Business Cases. Case models. Feasibility study (independent).
Annex Procurement Process

Annex A

The Canadian Council for Public-Private Partnership has described the following PPPs agreements:

1.- Finance Only: A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as a long-term lease or bond issue.

2.- Operation & Maintenance Contract (O & M): A private operator, under contract, operates a publicly-owned asset for a specified term. Ownership of the asset remains with the public entity.

3.- Build-Finance: The private sector constructs an asset and finances the capital cost only during the construction period.

4.- Design-Build-Finance-Maintain (DBFM): The private sector designs, builds and finances an asset and provides hard facility management (hard fm) or maintenance services under a long-term agreement.

5.- Design-Build-Finance-Maintain-Operate (DBFMO): The private sector designs, builds and finances an asset, provides hard and/or soft facility management services as well as operations under a long-term agreement.

6.- Build-Own-Operate (BOO): The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority.

7.- Concession: A private sector concessionaire undertakes investments and operates the facility for a fixed period of time after which the ownership reverts back to the public sector.