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Treasury Paper Outlines Steps to Ensure Success In Identifying, Pursuing P3-Suitable Projects.

The U.S. Treasury Department has published a discussion paper to help decision-makers who may be unfamiliar with and confused by the complex structure of public-private partnerships determine when a P3 is more likely than a conventional procurement to produce a beneficial and cost-effective project.

"An Economic Framework for Comparing Public-Private Partnerships and Conventional Procurement" focuses on the factors economists take into account when making this type of assessment, including a project's characteristics, the conditions under which it is being conducted, and the extent of the public agency's ability to take certain actions before bids are solicited to ensure the project is successful and beneficial.

Much of the paper covers familiar ground for seasoned P3 developers by, for example, describing how this procurement method can save time and money by authorizing a single developer to carry out multiple stages of a project rather than assigning each one to a different contractor and permitting the quick introduction of efficiency-enhancing innovations throughout the project life cycle.

The authors also stress four best practices that public agencies should follow when planning a potential P3 project to ensure its success, many of which mirror NCPPP's own "7 Keys to Successful P3s." The Treasury-identified best practices are:

- Creating a predictable legal and regulatory climate that is conducive to private investment in P3s, training public agency personnel to conduct these transactions and providing information and assistance to agencies at all levels that will help them to pursue this type of procurement.
- Developing a project preparation process that includes defining strategic objectives, taking steps to monitor projects' progress and identifying and mitigating emerging risks.
- Conducting project feasibility studies to reduce risks that the private developer might be forced to bear; these can range from financial risks that could lead the developer to default to stakeholder opposition or failure to acquire necessary permits or land.
- Structuring the P3 to ensure the risks assigned to the developer that will cause the private partner to take steps that increase project value — those that result in a higher quality of service or lower per-unit costs, for example.

"Public-private partnerships represent a promising approach that can leverage the strengths of the private and public sectors to expand and improve our public infrastructure," the report says. "Yet PPPs are not a good fit for all projects. In each case, the public authority must establish that a PPP would provide net benefits to society that go beyond what is attainable through conventional procurements alone, including a careful screening of projects for their suitability factors. Thereafter, successful PPP implementation requires executing a set of additional best practices before the project gets underway. Not taking these steps may lead to higher costs, failure to meet performance targets later in the life cycle and a misallocation of scarce public resources."

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