

Public-Private Partnerships

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To achieve climate neutrality, everyone in the public and private sectors will need to chip in and work together: municipal governments, industry and citizens. In this factsheet, we provide an overview of public private partnerships (PPP). We describe what PPPs are; present some of the most common PPP models; look at the advantages, risks and key success factors of PPPs; and explore some examples of PPPs around the world. This factsheet draws upon research carried out by the Viable Cities' Finance project, which assesses how cities can fund their investments in sustainability, looking at nine Swedish municipalities.

What is a PPP?

A PPP is a collaborative arrangement between a public actor and one or more private partners, and often includes other types of institutions such as academia or citizen groups. They are often implemented for urban development and large infrastructure projects, since:

- a. public institutions are said to often lack the knowledge of the latest technological innovations, and/or finance to undertake said projects, and
- b. private counterparts are perceived as more efficient in terms of delivery time and value-for-money.

A PPP should generate **financial revenues** which represent the private counterparts' gains and **social revenues** which are aimed at citizens.^{1,2}

PPP models

PPPs can be classified according to (1) the type of arrangement, (2) the type of technology and (3) the extent of participation from the private sector. The most common classification is the type of arrangement³ and there are seven common activities allocated to the different partners in the PPP: Design (D); Build (B); Operate (O); Own (O); Transfer (T); Finance (F) and Maintain (M). Some of the most common types of PPPs can be seen in Figure 1.

The extent of the participation from the private sector varies. The classification of PPP ranges from total public management (little if any private involvement at all) to full divestiture or privatization. Read more about the spectrum of PPP arrangements in the [Public-Private Partnership Legal Resource Center \(PPPLRC\)](#).

The risks and advantages of PPPs

PPPs have the potential to help accelerate sustainable urban development and play a key role in the race to achieve climate neutrality.

The main advantages:

- The ability to leverage private capital to finance the construction and operation of public infrastructure, while at the same time obtaining social and commercial benefits, frees-up public resources for alternative goals.^{2,5,6}
- Since the private sector is often more related to innovation than its public counterparts, PPPs can help achieve

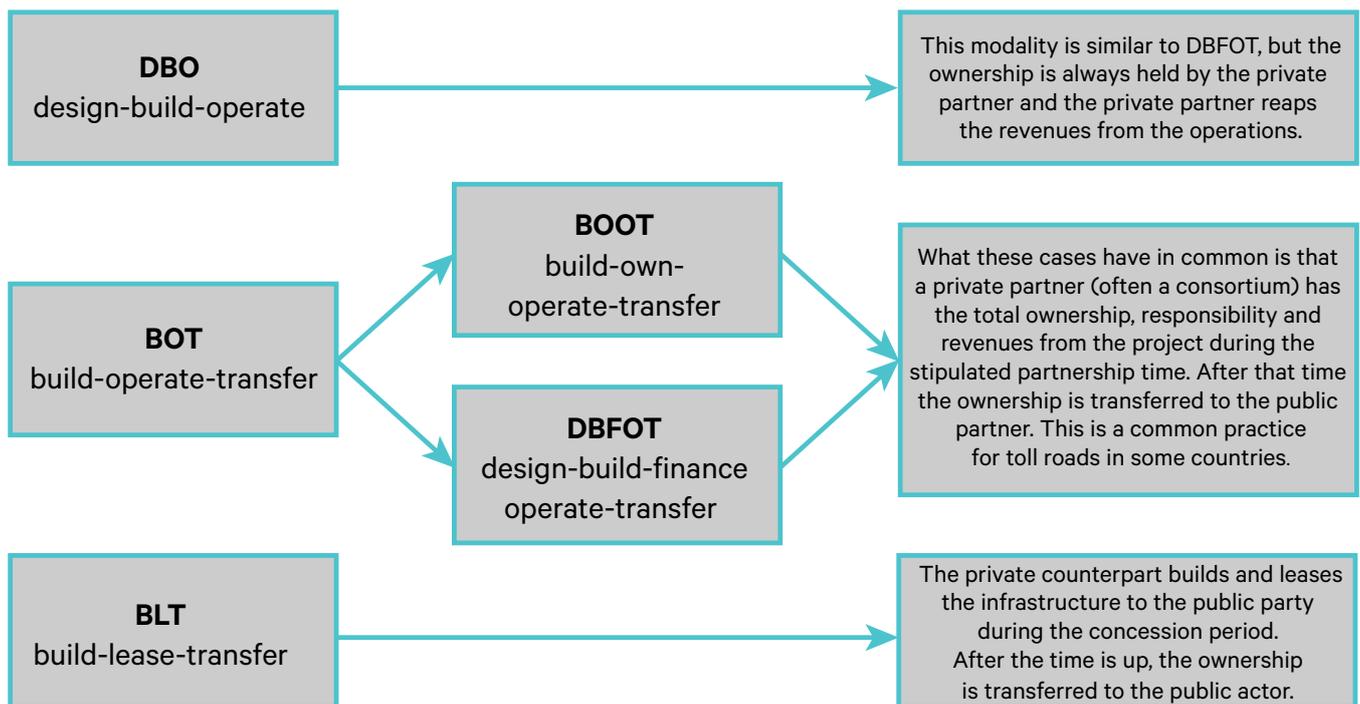


Figure 1. Most common examples of PPPs.

cost-efficiency and spark innovation. This also allows knowledge sharing between sectors.^{2,5-9}

- Partnerships allow the government to focus on its core functions² and optimize public service performance.^{5,6}
- Reduced political pressures on the public actors thanks to the involvement of the private sector and encouragement of public-private collaboration.⁵
- Private partners are allowed to implement projects characterised by potentially high return on investment rates that would be otherwise impossible.⁵
- The private sector can also enjoy marketing benefits.⁵
- Increased job opportunities.⁵

The risks associated with PPPs include:

- Resource inequality between public and private partners, where the public partner does not have the private sector's capacity to properly address long and complex negotiations in terms of the assessment of risks and allocation of responsibilities.^{2,8,10}
- Lack of knowledge about the best types of arrangements for the task, and to what extent the intentions are fulfilled in practice.⁸
- Unclear profit-making model.³

- Lack of assurance over the democratic mandate.⁷
- Difficulties in assessing and comparing with a non-PPP scenario.⁷
- Political perceptions that private interest is above public interest.^{7,9}
- Political deception, leading to lock-in of costs, which can be expensive for the public sector in the long run.^{7,10}

Conditions for a successful PPP

Based on the potential and the risks associated with PPPs, a successful PPP requires a clear structure as well as¹:

1. **Early engagement** of the public actors with all the potential stakeholders to identify synergies, a proactive approach by the private sector actors that encourages innovation, and a collaboration with civil society to define outcomes and enable participation.
2. **A full life cycle approach** to urban development projects.
3. **Governance mechanisms** that not only build trust, create transparency and generate a pool of knowledge and best practices, but also ensure that the partners in the PPP are accountable.



Photo: C Dustin / Unsplash.

Examples of PPPs

PPPs are used across the world. In terms of both the number of projects and the quantity of investment, the Caribbean and Latin America are the most active regions.¹² However, given the broad definition of the term “public-private partnership,” the classification of some PPPs may be debatable because they are either borderline procurement or full privatisation. Some examples include:

- The Irish **N4/N6 motorway** is a PPP under the DBFOT (design-build-finance-operate-toll) scheme. Its cost of €328 million was funded by a private consortium that was allowed to charge tolls for a period of 30 years, supplemented with subsidies during the construction period.¹³
- The **San Diego LED street light** project provides civil and private stakeholders with urban information gathered through the sensors that are installed in the street lamps.¹
- In the Dutch **Talking Traffic partnership**, the PPP retrieves, organises and distributes data related to traffic lights for the different partners.¹⁴

In Sweden, PPPs are not that common. The two main examples of partnerships in the country are 1) the New Karolinska Hospital and 2) the Arlanda Airport Express train line. Both have been heavily criticised. In the case of the Arlanda Airport Express, there were high, unregulated ticket prices, leading to concerns being raised about the potential number of customers actually using the train line, and the service’s lack of broader social benefits. In the case

of the new Karolinska Hospital, the unexpected additional costs incurred after the contract was signed, and the total taxpayer cost of 52 billion kronor (about €5.13 billion) have led to the project being viewed as a failure. This failure has been attributed to a lack of proper interaction between the partners.⁹



Arlanda Express. Photo: hpgruesen / Pixabay.

Learn more

- [The World Bank on PPPs](#)
- [The Swedish National Audit Office and its review of the Arlanda Airport Express](#)
- [The European PPP Expertise Center](#)
- [The report of Sveriges Kommuner and Regioner, Risk Management in the event of a PPP \(in Swedish\)](#)

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