

¹ Setting up your
Public-Private
Partnerships
for success

² Exploring and
mitigating risks



A look at Public-Private Partnerships today

The last three years has seen a multitude of emerging challenges facing government procurements of critical infrastructure. The triple impacts of the pandemic, climate change, and war in Europe have negatively impacted global and national economic prospects due to moribund economic activity, declining trade, inflation and declining treasury revenues.

These impacts have widened already existing government infrastructure funding gaps. A positive outcome of this challenging reality, from a Public-Private Partnership (PPP) perspective, is that governments are increasingly exploring strategies to capture alternative funding methods for re-prioritized infrastructure procurements that serve as catalyst building blocks for economic growth and which have the potential to contribute to sustainable development goals (SDGs) through innovative private sector partnerships.

In the 2022 World Bank report on “Private Participation in Infrastructure” (PPPI), it is reported that since the end of the pandemic, the private sector has invested US\$91,7 billion across 263 projects which is equivalent to 0.25% of the GDP of all low- and middle-income countries. This is an increase of 23% from 2021 and a 4% increase over the 2015/2021 5-year average. Globally, investment in the transportation sector has led, followed by renewables and water. Cross border PPP projects are also becoming increasingly important.

As a consequence of global challenges, PPPs are becoming more than a procurement tool, but also a mechanism to foster the development of pragmatic national PPP project procurement pipelines that demand sustainability and resilience best practices, deliver on essential national infrastructure needs, and seek private sector innovation harnessed to “future proof projects” against future shocks.

Current examples of countries where PPPs are receiving renewed strategic attention as economic diversification delivery tools include the Kingdom of Saudi Arabia’s 2030 Vision, which seeks partnerships with the private sector to diversify its economy, and Sri Lanka.

Recently the Saudi National Centre for Privatization & PPP (NCP), in cooperation with the targeted sectors for privatization in Saudi Arabia announced the launch of its Privatization & PPP (P&PPP) pipeline consisting of 200 approved projects in 16 sectors. Sri Lanka is currently launching a renewed effort to mobilize PPPs as a way to bridge the critical funding gap that the economy is facing after years of economic and political discord in priority sectors that include transportation, water and sanitation, power generation, and tourism.

Identifying Risk



Understanding project risk is a central tenant of PPPs. Unfortunately, there are many examples of countries, where PPP project proponents, in their haste to seek solutions to economic challenges, are exploring fast-tracked procurement approaches that gloss over risk assessments. Unless comprehensive due diligence is carried out on the pros and cons of candidate projects, there is an almost certain risk of failure. Comprehensive project risk assessment strategies that identify, allocate, and develop accountable mitigation are essential to sustainable and resilient economic solutions. How can this be done?

The only practicable way to identify project risks is to initiate comprehensive project due diligence and feasibility studies before the project is procured. Upon completion of project feasibility studies, all identified risks should be documented in a risk matrix that is appended to procurement documents and disclosed to all bidders. Full disclosure provides bidders with the opportunity to respond accordingly to project risks during the tender phase, thereby allowing the procuring agent to determine whether the preferred bidder is up to the task.

Risk Checklists



Poor project due diligence unsupported by comprehensive risk assessments during planning and procurement stages will result in ill-conceived, risk-prone projects that will almost certainly place both public and private sector project partners at financial and reputational risk.

Due diligence reviews backed by enforceable risk checklists should be completed by an independent body, such as a national PPP Unit. Projects that don't meet risk assessment checklist thresholds should be referred back to proponents (i.e., line ministries and government agencies) for additional assessment of risks, or in the worst case be rejected. This process cannot be random and requires an integrated risk checklist, with an audit trail of documented decisions, throughout the project development and procurement process.

Every project is different. It is impossible to come up with an all-embracing list of risks that can be applied to all projects to ensure a reasonable measure of success. It is advisable that risk screening checklists be developed for inclusion in procurement management software tools to ensure a systematic risk assessment is carried out for all candidate projects. Institutionalized due diligence processes supported by a nationally implemented software platform would ensure compliance with assessment best practices that would greatly minimize risk.

What are some of the potential risks that should be addressed during the feasibility and procurement preparation phase?

- Project specific risk assessments and risk allocation strategies
- Comprehensive technical project planning and conceptual infrastructure designs
- Project site assessments and land acquisition
- Descriptions of the roles of public sector stakeholders
- Compliance with national procurement guidelines and existing laws (e.g., environmental compliance and alignment with national priorities)
- Appraisals of project bankability (i.e., calculations of project cost and revenue returns)
- Evaluations of the project's purpose and need
- Assessments of financial and commercial viability of the project
- Socioeconomic impact assessments and project buy-in of impacted communities
- Market assessments that determine the interest of the public sector and its ability to deliver project desired outcomes

Minimizing risks through technology

A well-structured procurement strategy supported by a purpose-built procurement solution for PPPs enable project teams to effectively document and report on risk.

Ansarada Procure has the ability to easily and swiftly generate audit trails of the project's risk communications, documentation, and processes, strengthening process governance, transparency and accountability whilst minimizing doubt and process challenges. Overall, PPP stakeholders can feel confident that all due diligence for risk management has been completed for the project prior to going out to market for procurement.

No PPP project is the same - as the saying goes, "Once you've done one PPP project, you've done one PPP project". Ansarada Procure enables project teams to customize the platform to each program, project and process. It is the only procurement solution that has been designed specifically to address the complexity of PPPs.

As a result, it empowers every PPP project team to set up their project to exact specifications, maximizing efficiency and minimizing risk.

In practice, Ansarada Procure has also empowered many government agencies globally to securely run and standardize large, complex programs by building best-practice procurement templates within the platform to be applied across all projects within its programs.

Traditional and cookie-cutter procurement solutions are ill-equipped to cater to the unique requirements and complexities of PPPs. The risks of not using a purpose-built procurement solution for PPPs include compromising the integrity of the project, putting the project at risk, and in a worst-case scenario even result in "whitewashing" accusations by private sector partners during the project implementation phase. The resulting potential project delays, cost overruns, rising stakeholder discontent, and likely project failure could expose the public sector to litigation during project procurement and implementation.

Ansarada Procure increases private sector trust in the procurement process, de-risks the possibility of poor decisions, and shows a commitment to good governance, transparency and accountability.

Although it may be seen as a tedious and time-consuming process, comprehensive project risk screening and due diligence supported by a purpose-built procurement solution for PPPs will ensure that future PPP projects offer value for money, are feasible and are truly bankable and worthy of implementation. This will also offer decision makers the opportunity to reject projects that don't fit the PPP national parameters before serious mistakes are made.

Your next steps in managing risks in your PPP

Find below additional key resources to guide you in identifying and mitigating the key risks in your PPP project.

1. [ADB: Guide on Assessing Procurement Risks and Determining Project Procurement Classification](#)
2. [FHWA - Guidebook for Risk Assessment in Public Private Partnerships](#)
3. [World Bank – Identifying \(PPP\) Risks](#)

About the Author

David Baxter a Senior PPP Advisor to the International Sustainable Resilience Center (ISRC) located in New Orleans. Additionally, he is a steering committee member of the World Association of PPP Units and Professions (WAPPP).

During 30+ years of international development consulting he has worked in Asia, Africa, the Middle East, Europe and North and South America. He has collaborated on infrastructure policy, project development, and project procurement for institutions such as the World Bank, Islamic Development Bank, African Development Bank, USAID, the and Millennium Challenge Corporation (MCC). He has supported numerous public sector capacity building initiatives to help governments improve their governance and procurement best practices. A specialized focus area has been Public Private Partnerships (PPPs) where he has helped donor institutions and development

banks provide technical and capacity building support to governments that include the Kingdom of Saudi Arabia, Egypt, Tanzania, Sri Lanka, and the Maldives to name a few. Sector focuses have included water and sanitation, transportation, healthcare, education, and tourism.

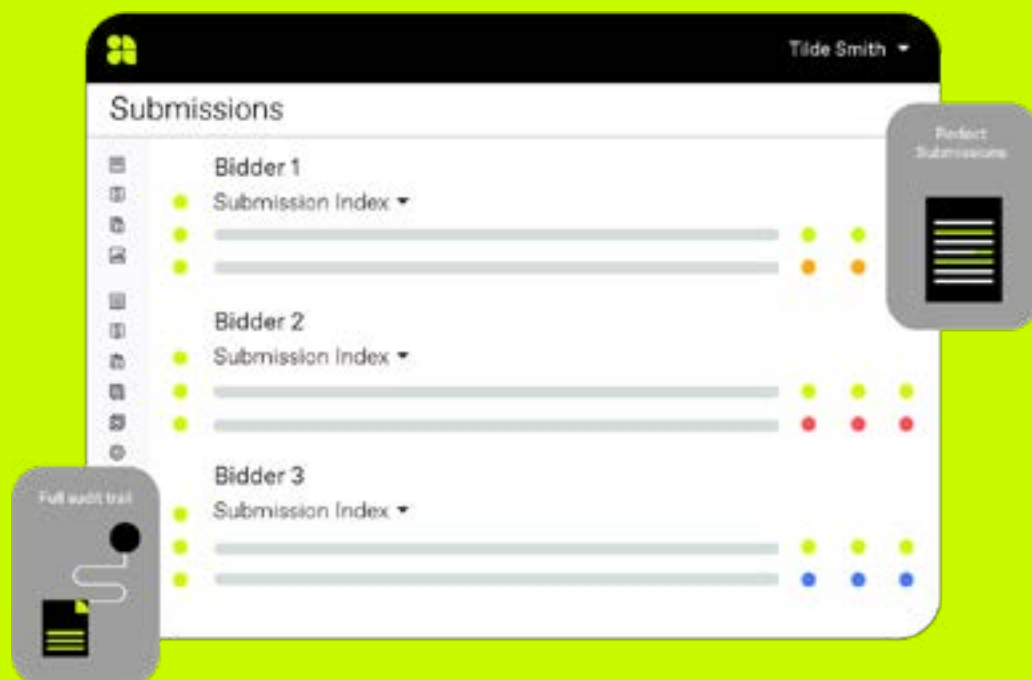
Over the last few years David has been part of a World Bank team that has provided PPP advisory services and capacity building to the National Center for Privatization and PPPs (NCP). He has also provided advisory services, independent of the World Bank, to SOEs in Saudi Arabia on how to restructure their organizations so that they are well positioned to implement and procure PPP projects. He holds a BA-Hons (Political Geography) and a Master's (Economic Geography) from the University of Stellenbosch (South Africa).



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About Ansarada Procure



Achieve better outcomes with the most advanced procurement platform purpose-built for Public-Private Partnerships.

Ansarada is a founder-led, fast-growth, global technology company. Established in 2005, Ansarada has helped governments and the world's leading investors, advisors and corporates manage over 35,000+ deals across M&A, IPOs, fundraising, and infrastructure project preparation & procurement.

The Ansarada Procure platform has been designed and purpose-built in conjunction with leading professionals

in the infrastructure and Public-Private Partnership space to meet the unique challenges of high-value and complex procurement processes.

Ansarada Procure has been utilised on over \$1tn worth of major infrastructure projects globally.

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