

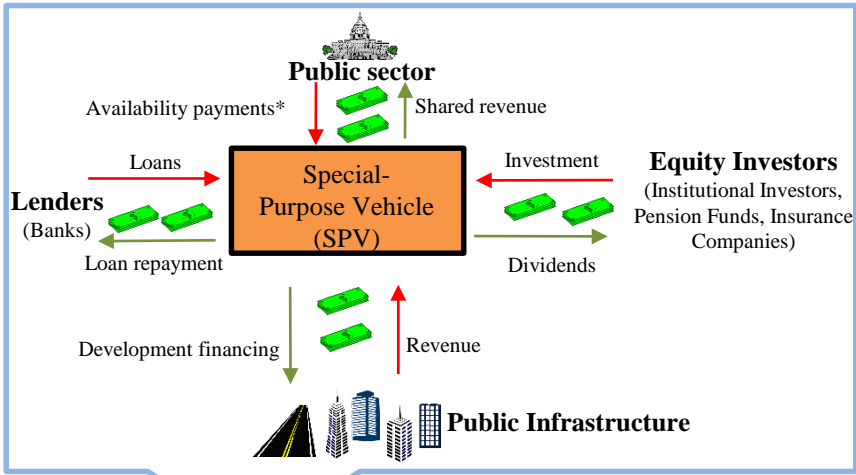
- Preliminary evaluation of Project delivery alternatives:
1. Design-Bid-Build (DBB)
 2. Design-Build (DB)
 3. Design-Build-Finance (DBF)
 4. Design-Build-Finance-Operate-Maintain (DBFOM)

Alternatives have varying degrees of private sector participation

- Potential risks found in all stages of project:
1. Dev't phase- political, financing, environmental process
 2. Const. phase- engineering & construction risk
 3. Operation phase- traffic, maintenance, competition

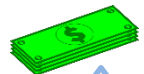
Quantitative/ Qualitative Assessment of alternatives

1. Risk identification
2. Risk quantification
3. Risk Allocation



Cost of project when delivered using P3

P3 Shadow Bid



Cost of project when delivered with traditional procurement

Public sector comparator (PSC)

- Costs include:
1. Baseline costs
 2. Financing costs
 3. Ancillary costs
 4. Risk premiums
 5. Competitive neutrality

Financial viability assessment

+ Expert judgment

P3 providing cost savings?

Traditional Approach more suitable

Pursue P3 procurement

Pursue traditional procurement

P3 in action

After negotiations are finalized and terms agreed upon

Negotiation of terms

Request for Qualifications

Shortlist bidders

Request for Proposals

Select winning bid

Public-Private Partnerships for Infrastructure Development (P3/PPP)

The Big Picture

Governments are now willing to pursue procurement approaches with increasing private sector participation. They may usually have different reasons for participating in public-private partnerships but they mostly fall under the overarching aim of managing **risks**. Infrastructure development risks include financing risks, demand risks, construction risks among many others. Public-Private partnerships are very complex agreements and as such when due diligence is not done before agreeing on terms, this places greater financial burden and risks on all parties involved. The flow diagram above illustrates the various steps involved in a simple P3 development and procurement process.

References

- 1) Federal Highway Administration (2014). Risk Assessment for Public-Private Partnerships: A Primer. Office of Innovative Program Delivery (IPD).
- 2) Federal Highway Administration (2013). P3-Value: Risk Assessment Tool User Manual. Office of Innovative Program Delivery (IPD)
- 3) <https://openclipart.org/detail/130267/types-of-commecrail-buildings-by-netalloy>. Accessed: 1/25/2015
- 4) <https://openclipart.org/detail/93325/passing-zone-by-mazeo-93325>. Accessed: 1/25/2015
- 5) <https://openclipart.org/detail/83443/dollars-by-jhnri4>. Accessed: 1/25/2015
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