

The 4th Annual Public Private Partnership Global Summit

Berlin, Germany

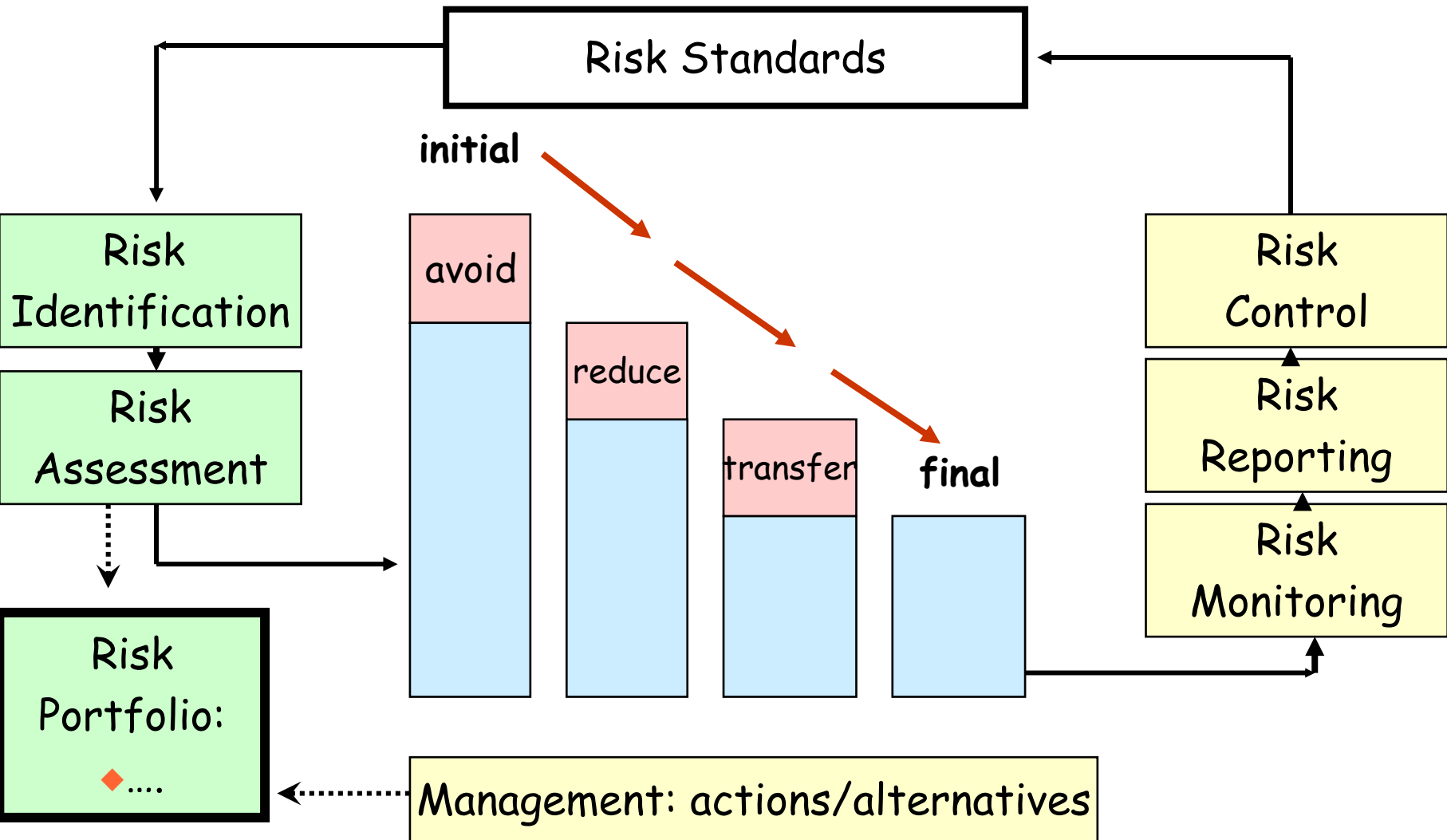
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**Evaluating value for money on a whole-life basis
= Risk Management =**

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Risk Management



Specific PPP/PFI Risks

- ◆ Insufficient Design of Public Services for Competition
- ◆ Long-term deals (25 to 99 years)
- ◆ Transparency of Financing Cost / Alternatives
- ◆ Public Sector Comparators - uncertainties
- ◆ Negotiation-skills not always sufficiently developed
- ◆ Political Influence
- ◆ Transfer of risk does not protect if private sector fails to deliver key public service
- ◆ No Best Practice for change-management procedures
- ◆ Project Management skills insufficient - reporting and monitoring, documentation
- ◆ Total Failure - Exit-clause to be considered (?)
- ◆ Contingency Plans - Fall-Back Position politically difficult to present

Managerial Approach

- ◆ Value-for-money assessment of **all** possible options
- ◆ **Partnership** approach and clear identification of areas of responsibility for risk management
- ◆ Appropriate **risk-reward** relationship
eg refinancing gains to be shared
- ◆ **Good contractual and governance arrangements**
eg master arrangements, project management contracts
- ◆ **Change management** to face changing circumstances
- ◆ Action plan / **Contingency** plan / Fall-Back position
- ◆ Termination-/**Exit** plan and contractual clause

PPP/PFI
must be

beneficial

for
both partners