

The Increased Significance of Public Private Partnerships (PPP) for Urban Development in Germany

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Defining PPPs

The expression PPP is widely used, but is often not clearly defined.

In its widest sense, a PPP can be defined as a long-term contractual agreement between the public sector (Federal Government, Federal State or municipal level) and the private sector (profit making organisations).

DELEGABLE TASKS

principally all operative tasks in conjunction with:

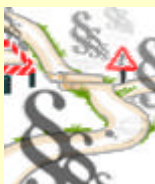


Introduction

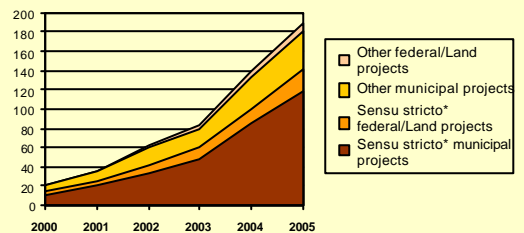
- The demand for Public Private Partnerships (PPPs) as an increasingly **attractive tool for infrastructure and urban development** is evident, especially in an economic climate where fewer resources are available for public service and infrastructure needs.
- PPPs have become a **major method of procurement for the public building sector** worldwide.
 - Current debate about PPP in Germany.

The Development of PPPs in Germany

- In 1999, the Federal Government declared that it will create new forms of co-operation between state and the private sector.
- PPP projects can be implemented under current legal regulations in Germany.
- However, in realising PPP projects some legal restrictions still exist regarding
 - budget law,
 - public procurement law,
 - grants/subsidies and
 - tax law.



PPP projects according to the year in which their agreement was concluded (cumulative) (Municipal, Land and federal level)



*PPP projects with at least three lifecycle phases
 n=190
 2005 PPP questionnaire
 Data source: German Institute of Urban Affairs (difu)

Milestones of the German PPP Development

- 04/2001 ▶ Implementation Chancellor working group
- 10/2001 ▶ Start PPP-Initiative North-Rhine Westphalia, Implementation PPP Task Force
- 05/2002 ▶ Chancellor Schröder announces initiation to promote PPP development in Germany
- 09/2003 ▶ Submission of the report „PPP in the public building construction sector“
- 07/2004 ▶ Foundation of Federal PPP network of excellence
- 09/2005 ▶ Adoption of the PPP Acceleration Act („ÖPP-Beschleunigungsgesetz“)

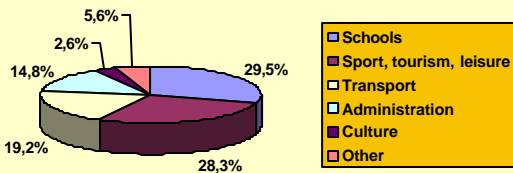
PPPs as a Tool for Urban Development

- PPP can be an effective instrument for urban revitalisation and economic development with regard to the constraints imposed by scarce municipal resources.



- **Greater efficiency** in the use of public resources.
- **Faster implementation** because of shorter construction timeframes.
- **Better risk allocation** to the party best able to manage it at least cost.

Distribution of current PPP projects in the wider sense across different areas according to volume of investment (municipalities)



n = 185
2005 municipal PPP questionnaire

Data source:
German Institute of Urban Affairs (difu)

PPP for Public Building Construction

Administration

- ▶ Town halls
- ▶ Tax offices
- ▶ Ministries etc.

Education

- ▶ Kindergarten
- ▶ Schools
- ▶ Universities etc.

Health and hospitals

- ▶ Hospitals
- ▶ Homes for the elderly
- ▶ Sanatorium etc.

Security

- ▶ Police stations
- ▶ Correctional facilities
- ▶ Border protection etc.

Sports and leisure

- ▶ Sports facilities
- ▶ Museum
- ▶ Theatre etc.

Defence

- ▶ Accommodation
- ▶ Places of training
- ▶ Administrative buildings etc.

Example: PPP School Redevelopment

Administration

- ▶ Town halls
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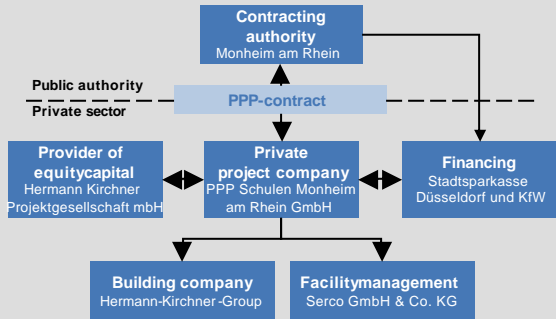
Defence

- ▶ Accommodation
- ▶ Places of training
- ▶ Administrative buildings etc.

PPP School Redevelopment in Monheim

- Monheim could not manage to finance the **modernisation and refurbishment of the 13 schools and gymnasiums** at its own expense.
- The objective was to modernise the obsolete or badly deteriorated school buildings and gym halls (incl. PCB removal) on the basis of a **Public Private Partnership contract**, signed 2004.
- The project, which includes a 25-year period, has a project volume of 75 million Euro.
- The municipality makes an annual payment of 3 million Euro to the private company.

PPP Project Structure in Monheim



Impressions after Modernisation



Key Details of the PPP Project in Monheim

Project	School redevelopment
Location	City of Monheim (Rhein), North RhineWestphalia
Project description	Refurbishment, maintenance, operating und financing of 13 schools and 12 gymnasia
Investment volume	24 Mio. EUR
Project volume	75 Mio. EUR
Scope of activities	13 schools as well as 12 gymnasia, Gross floor area = circa 73.600 m ² Gross cubic volume = circa 312.000 m ³ Plot area = circa 172.000 m ²
Contract model	PPP owner model
Project duration	2004-2028
Contract term	25 years
Financing	Stadtparkasse Düsseldorf, KfW
Efficiency gain	Circa 15 %

Conclusions and Recommendations

1. Public Private Partnerships can be considered as various types of (contractual) arrangements formed between the private and public sector to achieve a common purpose.
2. PPPs offer significant benefits to both public and private sector.
3. PPPs attract new private investment in a wide spectrum of local activities and services.

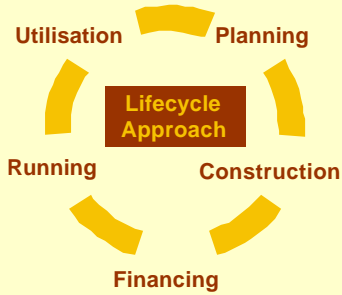
Conclusions and Recommendations

4. A more holistic approach to the development of PPPs is needed in order to reduce costs and to ensure a more efficient PPP procurement process.
5. PPPs are not a remedy for all “urban illnesses” and urban developments in times of fiscal constraint.

Thank you very much for your attention!



Introduction of an Lifecycle Approach



Federal PPP network of excellence

Steering Committee PPP in public building construction engineering

Chair: Parliamentary State Secretary
(Federal Ministry of Transport, Building and Urban Development)

PPP-working group

PPP Task Force

Pilot projects

Fundamental and coordination work

Public relations and knowledge transfer

Federal-State expert committee

PPP centres of excellence EU, Federal States and municipalities

PPP centres of excellence in other sectors

PPP Characteristics

Traditional (public) procurement



Full privatisation

PPP Characteristics

- The relatively **long duration** of the relationship.
- The **method of funding** the project, in part from the private sector.
- The **important role of the economic operator**, who participates at different stages in the project.
- The **distribution of risks** between the public partner and the private partner.

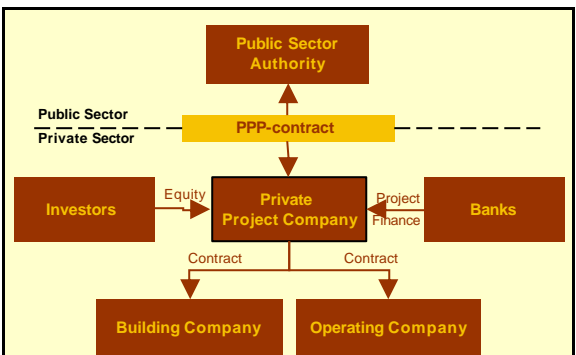
In general, PPP can best be viewed as a **continuum between traditional public procurement** at the one end and **privatisation** at the other.

NON-DELEGABLE TASKS

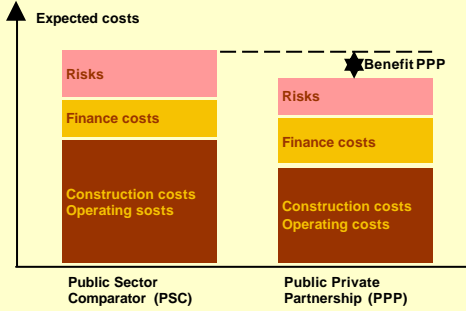
- ▶ Idea, identification of demand, approval
- ▶ Efficiency comparison
- ▶ Design of competition
- ▶ Contract management
- ▶ Performance control
- ▶ Provision of grants

DELEGABLE TASKS

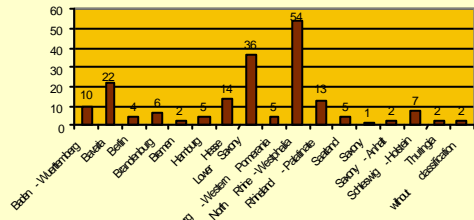
principally all operative tasks in conjunction with:



German approach for an „Efficiency Comparison“



Distribution of current PPP projects at Federal State level (Federal Government, Federal States, municipalities)



n = 190, contracts 2000 - 2005
2005 municipal PPP questionnaire

Data source:
German Institute of Urban Affairs (difu)

Germany and UK: PPPs by sector

