

PUBLIC  
PRIVATE  
PARTNERSHIPS  
GUIDE

Public Private Partnerships:

*Overview*



## PUBLIC-PRIVATE PARTNERSHIPS (PPP) GUIDE



### Description of the PPP Guide

A Public Private Partnership (PPP) can be defined as a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. PPPs have been an increasingly popular mechanism for funding asset creation and services in the public sector over recent years.

The PPP guide provides Federal and State governments with advice on the treatment of different types of PPP in terms of budgeting and accounting, and under the major accounting methods (cash and accrual) in accordance with International Public Sector Accounting Standard (IPSAS). This should guide government on how to record PPP transactions in the budget and accounts. Furthermore, the guidance note will also recommend measures to ensure sound financial management of PPPs and management of fiscal risks.

The tool seeks to address two main issues:

1. How to treat PPPs in the budget and the financial accounts of governments to strengthen how such investments should be treated in the budget and accounts; and
2. How they should be managed (from a corporate financial governance perspective) post-procurement stage.



### Structure of the PPP Guide

The PPP Guide was compiled through a review of existing literature (including legal and regulatory frameworks for PPPs and available information on Federal level PPPs), as well as through target questionnaires to selected Federal and state-level agencies.

The PPP Guide comprises two papers:

- a **PPP Briefing Guide** setting out the general principles of PPP financial management and reporting; and
- a **Technical Guide** providing illustrative examples of the financial reporting requirements of PPPs through an extended case study.



The Technical Guide provides guidance on the financial disclosure and reporting requirements of different approaches to the acquisition of infrastructure and other assets by the Federal Government of Nigeria and States within the Federal Republic in accordance with both International Public Sector Accounting Standards (IPSAS) and also IMF Government Finance Statistics (GFS) reporting requirements. It uses a case study of a ferry acquisition and operation by the (fictitious) State of Otrary within the Federal Republic of Nigeria to illustrate the financial reporting requirements for various forms of PPPs. An excel worksheet underlying the technical guide was also prepared.

## Who should use this Guide?

The Briefing Guide includes a number of recommendations related to PPPs that might be useful to government (PPP oversight agencies such as the Infrastructure Concession and Regulatory Commission (ICRC), Ministry of Finance, Debt Management Office and state equivalents, including Investment Promotion Agencies), development partners and for private sector entities who are considering forming PPPs with Federal or State governments in Nigeria.

The Technical Guide can be used by Federal and State governments (Ministries of Finance, Planning and Budget, and Line Ministries who are proposing the projects) to support in the budgeting and accounting process for PPP projects. It can also be used by the Supreme Audit Institution and legitimate oversight committees to help inform their review of the budget and accounts. In a similar vein, the guide can be used by civil society and other stakeholders to help inform their review of budgets and accounts.



## The benefit of the PPP Guide

The PPP guide provides some key recommendations in terms of managing PPPs. The recommendations would help to:

- Reduce risks of a PPP “failing” (e.g. a partially created asset that is never completed);
- Reduce the risk of over-expenditure on the side of government.

The Technical Guide supports:

- Fair representation and disclosure of PPP projects in the Budget and Accounts of Governments.
- Users of the above documents to understand and assess the reliability of the information being provided.



## The potential of the PPP Guide to contribute to improved service delivery

PPPs are often used to leverage the government’s own resources in order to provide services that would otherwise not be offered. Specifically, PPPs aim to:

- Attract **private expertise** and/or **capital investment** for infrastructure and service delivery improvements (often to either supplement scarce public resources or release them for other public needs).
- Increase **efficiency** and **use of available resources** for infrastructure and service delivery more **effectively**.

Ultimately, PPPs have the potential to deliver more services at a lower cost to government and service users. The PPP Guide supports use of PPPs by providing guidance of oversight, risks, disclosure and reporting, all of which are important for their success.



## The scope of the PPP Guide

The Briefing Guide provides background and a point of view analysis of PPPs in Nigeria in 2018. It also includes a set of recommendations based on international experience and best practice that are relevant as of the time of release of the Briefing Guide (i.e. late 2018).

The Technical Guide is for guidance purposes and is based on a case study for a specific project under differing PPP options. Further guidance can be found within the relevant International Public Sector Accounting Standards (IPSAS) and amongst other publications.

Finally, it should be noted that, by necessity, the PPP Technical Guide does use technical accounting terms and principles. It may therefore be more useful (as is intended) for professionals working within the PFM oversight agencies of government (and related Technical Assistance providers).



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