Public-Private Partnerships: What Are They, and How Do They Affect You as a Taxpayer?

By Paula Ochango

Ah, Public-Private Partnerships (PPPs)—the hottest topic we "*learned friends*" love to dissect in endless jargon-filled debates. Here's the thing: while we argue over the fine print, the taxpayers footing the bill often get left out of an important conversation. Not today! In this article, I will strive to cut out the legal fluff and get straight to the point.

You may have come across the heated debate surrounding the proposed 30-year lease of Jomo Kenyatta International Airport (JKIA) to the Adani Group, which is currently under legal challenge in Kenyan courts. This is an example of an unsolicited PPP proposal, where a private entity approaches the government with a plan to deliver a service traditionally managed by the public sector. Such proposals are part of broader government strategies to develop and manage public infrastructure through partnerships with the private sector.

Let's break down what PPPs are and how they work:

What Exactly Is a PPP?

The universally accepted definition of a Public Private Partnership is as follows: *A **long term contract** between a **public party** and a **private party** for the **development (or significant upgrade or renovation) and management of a public asset** (including potentially the management of a related public service), in which the **private party bears significant risk and management responsibility** throughout the life of the contract, **provides a significant portion of the finance at its own risk**, **and remuneration is significantly linked to performance and/or the demand or use of the asset** or service so as to align the interests of both parties.*

Let's break it down with a simple analogy. Imagine your local road is like your favourite restaurant. The government (the restaurant owner) wants to improve the place; get better seating, tastier food, maybe introduce a live band. But they're short on cash. So, they partner with a private business (a celebrity chef) who agrees to invest in the upgrades, manage operations, and share the profits. The deal? If the restaurant does well (customers love the changes), the chef gets paid. If not, tough luck for the chef.

This setup aligns the interests of all the parties involved: the government gets a better restaurant (or road, airport, etc.), and the private partner is motivated to do a great job because their earnings depend on it and ultimately, the customers get to enjoy the benefits of the upgrade.

How Are PPP Projects Procured?

Under Kenya's PPP laws, as well as in many other developing markets with codified PPP frameworks, there are several ways a contracting authority can procure a PPP project. These include:

1. **Direct Procurement:** Where a specific private party is identified and engaged directly for the project.
2. **Privately-Initiated Proposals (PIPs):** These occur when a private entity proposes a project idea to the government, often offering solutions to a current need.
3. **Competitive Bidding:** The most common and recommended approach, where multiple private parties compete through a bidding process to ensure the best value.
4. **Restricted Bidding:** Used in cases where only a limited number of bidders meet the required qualifications or where the scope of the project justifies restricting participation.

Regardless of the method used, the process must adhere to the principles of **transparency**, **cost-effectiveness**, and **equal opportunity**. This ensures a fair process and that the public ultimately benefits from the project.

Why Do Governments Use PPPs?

1. **It's All About the Money (Or Lack Thereof)**

   Governments often don't have enough money to fund big projects upfront. PPPs allow them to tap into private financing. Think of it like when you were in campus and wanted to impress a potential girlfriend but didn't have a car. So, you borrowed your rich friend's sleek ride to take her out. Of course, your friend didn't lend you the car just for free—they probably expected you to top up the fuel or run a few errands for them in return. Similarly, in a PPP, the private partner provides the upfront financing, but there's always something they get in return—like a share of the revenue or a long-term contract to manage the project.

   In taxpayer terms, this means the private partner foots the bill initially, but you might pay indirectly. For example:

   - **Government-Pays PPPs**: Taxpayers fund it through government payments to the private partner.
   - **User-Pays PPPs**: You pay directly, like tolls on a road or airport fees.

2. **Risk-Sharing**

   Ever tried fixing something yourself, only to end up spending more money when it goes wrong? Governments face the same risk with infrastructure projects. With a PPP, the private partner takes on much of the financial and operational risk, which can save taxpayer money in the long run.

3. **Faster Delivery**

   PPPs can speed up projects. Instead of waiting years for the government to allocate funds and resources, private partners get things moving faster—like hiring an express delivery service for a parcel instead of snail mail.

4. Innovation

   Based on their experience in different markets, Private companies often bring fresh ideas and advanced technologies to the table. For instance, a private partner might introduce solar-powered lighting on highways or smart traffic management systems in cities, making infrastructure not just functional but forward-looking.

What's the Catch?

PPPs aren't all sunshine and rainbows. Here are a few concerns to keep in mind:

- **Long-Term Commitments**: A 30-year deal is like signing a marriage contract before the first date. If it goes wrong, taxpayers could be stuck footing the bill for decades.
- **Transparency Issues**: Not all PPP deals are clear-cut. If mismanaged, they can lead to hidden costs or sweetheart deals for private firms.
- **Potential for Higher Costs**: If the private partner isn't efficient or the contract isn't well-structured, taxpayers might end up paying more than if the government handled the project directly.

How Does This Affect You?

As a taxpayer, you're at the heart of every PPP. These projects are built to serve you, whether it's better roads, airports, or hospitals. But they're also funded by you, either through taxes or direct user fees.

Why Should You Care?

Because PPPs shape the world around you. The road you drive on, the school your kids attend, even the airport you fly from—these are public assets. When the government partners with private firms to manage them, you have a stake in the outcome.

So, ask questions. Demand transparency. Insist on value for your money. And most importantly, remember that you are not just a bystander—you're a key player in these decisions. After all, it's your money and your community on the line.

Let's not leave these debates to lawyers in boardrooms. Your voice matters.