



Whitepaper

NEXT GENERATION PARTNERSHIPS

A Report on Next Generation Partnerships that Innovate

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This report discusses the innovative approaches Rebel has identified and deployed in public-private partnerships (PPPs) and explores how PPPs can become an even more reliable method to deliver infrastructure and critical public services for society.

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Introduction

The use of public-private partnerships (PPPs) to deliver infrastructure began to grow significantly in popularity around two decades ago. Right around the time of Rebel's founding in 2002, many of the world's top economies were exploring PPP procurement in earnest. The United Kingdom's Private Finance Initiative (PFI) had already begun to demonstrate the success of PPPs across various infrastructure sectors starting a few years earlier, and the program was being expanded further.[1] In the Netherlands, the national government had just recently begun nominating projects for delivery through the design-build-finance-maintain (DBFM) contracting method.[2] In North America, the U.S. PPP market found its footing soon afterwards with the Chicago Skyway (2005) and Indiana Toll Road (2006) projects, while Canada had begun using PPPs across infrastructure sectors with mixed success.[3] The trend toward more common consideration of PPPs also extended to emerging markets and developing economies, where International Finance Institutions (IFIs) such as the World Bank, significantly stepped up their support and exploration of PPP delivery models.

Proponents of PPP delivery models are now able to point to many successful projects that were delivered on schedule and within budget, yielding substantial increases in value for money for public taxpayers. However, PPP models have also not been without their faults. Over the last two decades, there have been several high-profile failures that have undermined confidence in the value of PPPs and have fuelled both misperceptions and valid critiques. Rebel, and our clients, have experienced some of these ups and downs firsthand, so we are well-positioned to reflect on some of the common PPP pitfalls and describe what we see as the path forward for the next generation of PPPs.

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We highlight three particular shortcomings that we believe are limiting PPP delivery models and preventing them from reaching their full potential:



- **Poorly designed bid evaluation structures:** Public sponsors have traditionally focused more on evaluating bids on price rather than holistically evaluating the value a developer can bring to address the sponsor's public policy goals.
- **Inadequate stakeholder input and project democratization:** While many project consultation processes have been robust, there is space to refine standard approaches to make them more inclusive, and to widen mentalities with regards to the expected roles of various project stakeholders.
- **Rigid procurement and project development processes:** Procuring agencies have mostly held onto strict two-step procurement processes rather than taking a more collaborative approach between public and private partners to define the scope and develop the project.

We see an opportunity to address these shortcomings for PPP projects in the years ahead by (1) Broadening the impact of PPPs, (2) Democratizing the benefits and investment upsides of PPPs, and (3) Bringing collaborative procurement models to maturity. In this paper, we describe each of these concepts, we spotlight recent projects where Rebel is putting these concepts into practice, and we contemplate how these trends will play out in the next generation of PPPs.

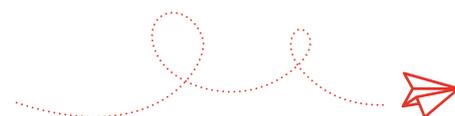
[1] House of Commons Treasury Committee, Private Finance Initiative, 17th Report of Session 2010-12, Volume 1

[2] [The Public-Private Partnership Law Review](#): Netherlands, April 2021

[3] [Public-Private Partnerships](#): USA, October 2021

Broadening the Impact of PPPs

The primary motivating factor behind the deployment of PPPs has typically been to deliver greater value for money to the public sector, largely through a more effective allocation and transfer of risk to the private party, as well as increased potential for innovation and lifecycle cost optimization. Layered behind this overarching objective, each PPP project also has other project-specific public policy goals, which have traditionally been defined by a project's sector (e.g., transit projects are primarily seen as addressing transportation-related policy aims and delivering transportation-related benefits). As PPP delivery models expand to a wider range of infrastructure sectors and project types, and as governments increasingly get more sophisticated in identifying public priorities that traverse various sectors, there exists a critical opportunity to broaden the potential impact of PPP projects and to "mainstream" key public policy goals.



What have we achieved thus far?

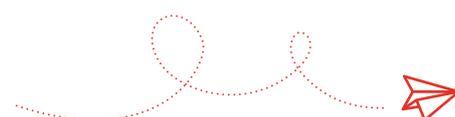
Rebel is on the leading edge of this push to mainstream intersectoral policy goals, in which PPPs move beyond simply managing risks toward creating opportunity for impact across various environmental, social and governance (ESG) factors. An important example of this is the recent prioritization of climate resilience, as projects across sectors increasingly must prepare for a new era that entails more frequent climate disasters. As shown in our recent report [Improving Climate Resilience In Public Private Partnerships in Jamaica](#), Rebel has thought extensively about the need to consider climate change impacts in the provision of infrastructure services, and has worked to develop new “tools” to more effectively align public and private interests and manage climate risk at different phases of the PPP project lifecycle. One such tool is a more sophisticated evaluation of “best value” that goes far beyond simply a cost proposal and creates a nuanced and thoughtful weighted scoring system across a range of public objectives, allowing for innovation and active competition on bid quality across multiple factors. Another key example of this is the [Afsluitdijk project in the Netherlands](#). Rebel is part of a consortium that won the 29-year DBFM contract for the renovation of this 32-km flood barrier (which is also a highway) that is known as an iconic part of the Dutch water management system. Key to this project is that the bidders were asked to come up with an energy-neutral solution for the renovation that would be able to deal with the different climate scenarios up to 2050 in terms of water discharge capacity and at the same would provide for a dike that can withstand surge overflows resulting from more frequent storms and rising sea levels.

What is coming next?

Rebel is actively working to mainstream other ESG factors into PPP projects, including an effort with the World Bank to promote gender equality through PPP procurement processes and [advancing sustainable circular production processes across a diverse array of projects](#). Mainstreaming ESG factors will be a dynamic process that will remain iterative and unfinished; some “tools” and approaches that were once considered cutting-edge will become the new “bare minimum” as standards rise and new considerations and policy goals come to the forefront.

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Through our ongoing work to refine the core mechanisms of the PPP approach and to implement multi-purpose projects that chart the path towards mainstreaming, we are working towards a vision of a much broader impact of PPPs worldwide.



Democratizing the Benefits of PPPs

Although many PPP projects to date have engaged in robust stakeholder engagement and consultation, we believe that the next generation of PPPs can, and should, ensure that the totality of benefits resulting from projects are more evenly distributed across society. This involves broader efforts to identify and consider the full spectrum of project impacts through the PPP procurement process. Effective and inclusive stakeholder engagement should make meaningful efforts to particularly engage those in vulnerable groups such as the elderly, female-headed households, children, and the disabled, who often lack the opportunity to give voice to their vision of how a project should be developed. This is critical to avoid creating or exacerbating inequalities, as many argue was the case for the interstate system in the US.[4]

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Furthermore, large PPP contracts typically offer a chance to create significant positive impacts for the local labor market and/or for minority-owned businesses. In some geographies, we see already standard procedures for ensuring this social return on investment. In general, we believe PPP contracts should leverage contractual mechanisms to obtain commitments from private developers to develop the capacities of the local communities through training and apprenticeship programs.

What have we achieved thus far?

Democratizing the financing of PPP projects is another exciting area of opportunity. Regarding project financing, there are opportunities for PPP sponsors and developers to think more expansively about the universe of capital providers and think more creatively about sharing both the risks and the rewards of a PPP project. While much of the PPP industry still assumes that PPP is synonymous for private financing, Rebel has always explored alternative financing structures and successfully delivered projects with hybrid financing solutions.

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One example is [the hybrid financing solution for Howard County, Maryland](#) in its award-winning courthouse P3 project, with partial private financing and a publicly-financed milestone payment.[5] This structure allowed the County to fully transfer project delivery risk while lowering the overall financing cost. We recognize that PPPs need not exclusively rely on private finance, and that it often may make sense for public sponsors of PPP projects to



leverage their own sources of financing to benefit from more favorable terms and flexibility on debt structuring and repayment or to ensure more political support for projects by sharing in the investment upside (as seen in Wales with their Mutual Investment Model or the Public Investment Entity PMV in Belgium).

What is coming next?

In addition to governments partaking in projects as financiers alongside the private sector, an example of an even more direct democratization of financing is seen when individual citizens are given the opportunity to invest directly in PPP projects. This approach, grounded in the concept that communities affected by infrastructure projects should be proactively enabled to benefit from them, is now quickly becoming standard operating procedure in the vast array of solar and wind development projects that Rebel works on in the Netherlands, where local communities are given the chance to invest in 25-50% of the project. With the advent of new technological platforms which facilitate crowdfunding we may see the proliferation of non-traditional investors getting into the infrastructure financing business through platforms like Citizenenergy, Infrashares and Convergence; this is an area to watch in the years ahead.[6]

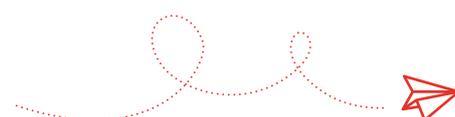
[4] <https://www.pbs.org/newshour/politics/how-infrastructure-has-historically-promoted-inequality>

[5] <https://www.howardcountybar.org/2019/10/07/howard-county-wins-three-international-p3-awards-for-new-courthouse-project/>

[6] https://abfer.org/media/abfer-events-2020/specialty-conf/33_slides_NikaP_Crowdfunding-for-Infrastructure-Project-Financing.pdf

Bringing Collaborative PPP Models to Maturity

In many markets, the two-step PPP procurement model has become a well-accepted norm. This model is characterized by an initial Request for Qualification (RFQ) process followed by a Request for Proposals (RFP) process, in which a shortlisted group of qualified bidders provide committed bids for a given project. Under the two-step model status quo, the scope of the project is fully defined prior to the procurement, leading to minimal opportunities for industry to shape the project in its early stages and minimal flexibility for the private partner to change its committed bid during project development. However, in recent years we are seeing two closely related trends that together are challenging the status quo: An interest from both sides in earlier private sector involvement and a desire to allow for more collaboration during project development. These trends are leading to consideration of a wider variety of PPP procurement models beyond the two-step procurement, many of which Rebel is actively helping to define and implement.



What have we achieved thus far?

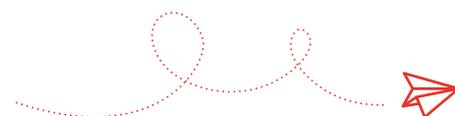
One prominent example is the Project Development Agreement (PDA) model, which Rebel is working to actualize with Miami-Dade County's [Beach Corridor Causeway Extension PPP Project](#), in which the public sponsor and private developer reach an interim agreement to conduct pre-development activities and establish the terms and conditions for the development and negotiation of the full Project Agreement. Other similar examples include various "Progressive" models (e.g., Progressive Design-Build, Progressive Design-Build + Finance-Operate-Maintain, etc.) and the "Developer" model which includes early selection of the PPP developer and then competitive procurement of major contracts (two experienced developers that operate under this model include ICA Infraventures and InfraCo). There also exist very similar concepts with different names, such as in the Netherlands and New Zealand (the "Two Phases" model), in Australia (the "Alliancing" model), and others elsewhere.

These newer, more collaborative PPP procurement models share several key attributes including partner selection based primarily on qualifications (rather than price) and collaborative development of design, risk allocation and pricing. Although these models have distinctive benefits, such as increased information sharing, greater potential for innovation during project development, and the potential to lower transaction costs and improve project quality, they also come with significant challenges, primarily around maintaining competitive tension and ensuring best pricing. In our view, while no model is easy to implement, with the proper preparation and advice, even the most complicated procurement models can be successful. Choosing the right model will depend on the project specifics, with collaborative PPP models more likely to be well-suited to more complex and innovative projects that have more inherent difficulty in defining the project scope.

Rebel also has significant firsthand experience with a related but distinct trend; the use of unsolicited proposals (USPs) as an alternative for the typical public project development and procurement process, with a bigger role for the private sector in the earlier stages. USPs can be a powerful tool for generating innovative solutions to infrastructure challenges and determining early-stage project feasibility. However, USPs come with their own unique set of challenges, largely related to creating and maintaining competitive conditions, aligning public and private interests, and overcoming perceptions of corruption. Rebel has demonstrated its thought leadership on this topic, having developed detailed [USP policy guidelines](#) for governments to make the most of USPs while avoiding potential pitfalls.

What is coming next?

We believe there is significant opportunity to be had from greater collaboration in the next generation of PPPs, but the challenges facing collaborative PPP procurement are real and must be taken seriously for these new models to reach maturity. Over the coming years, we will continue working to address these challenges and refine these models toward a greater level of sophistication.



The Next Generation

Rebel is excited and proud of what we have been able to achieve over the past 20 years in creating successful PPPs. In the 20 years to come, we look forward to continuing to find new ways to create value in developing projects through PPPs. As we look back at the success of some of our early PPPs, which have already reached their end dates, it is particularly exciting to recognize that the PPPs we develop today are even better and more innovative. The PPPs we are developing two decades from now may look nothing like our early successes or even the projects we are working on today. However, one key aspect of our work will remain the same into the next generation: As long as public investments need private entrepreneurship, creativity, and investment, we will look for opportunities to develop better projects through PPPs, as advisors, investors, and developers.

About Rebel

No change without a Rebel

Rebels work on the issues that affect all our futures, from sustainability, transportation and urban development to healthcare and the social sector. We make an impact, not only as consultants but also as investors. After all, anyone who believes in their own advice should be prepared to invest in it. We are committed to bringing change, initiating and realizing our own projects. We provide quality strategic advice & development, business policy & evaluation, partnership consulting & contracts, financial advice & modelling, and investments & fund management.

Thinking beyond existing structures

The Rebel adventure began in 2002 with ten chairs around a large round table. Sitting around that table, we decided to continue our careers in consultancy by starting our own company – we were the first Rebels. It was to be a company without a hierarchy, without bosses, without limits. A place where everyone could realize their full potential. We bring everything we have inside to the table. Intrinsic motivation, the urge to bring change, expertise and one constant focus: to make a real impact with our projects around the world. We now work with more than 180 Rebels from our offices in Rotterdam, Amsterdam, Antwerp, Düsseldorf, London, Washington D.C., California, Nairobi, Johannesburg, Mumbai and Jakarta.

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