

Appendix 1

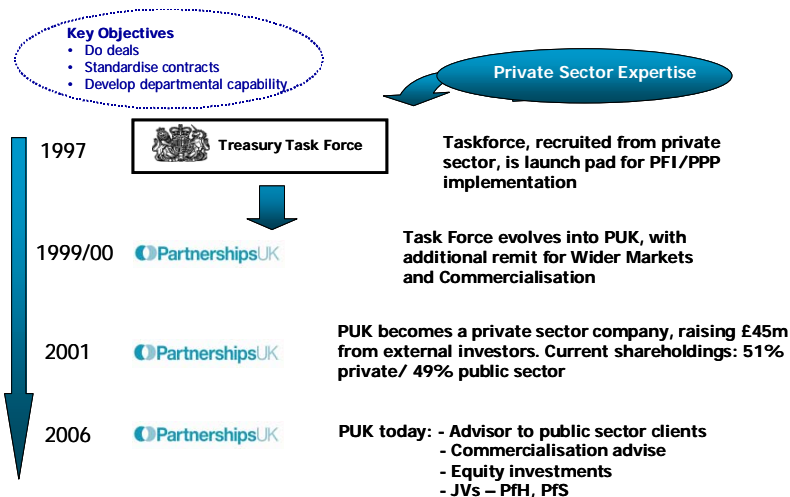
Applying PFI to the Infrastructure and Public Service Requirements of Developing Countries

Partnerships UK – The UK’s Central Programme and Transaction Support Unit

Partnerships UK (“PUK”) is a joint venture with the private sector, with 51% owned by 11 private sector organisations and the remaining 49% by public sector bodies, of which the largest, with a little over 44%, is HM Treasury.

PUK is the successor body to the UK’s HM Treasury Taskforce, a body set up in 1997 to promote the Private Finance Initiative (“PFI”) in the UK (see **Figure 1**).

Figure 1 – Evolution of PUK from HM Treasury Taskforce



The spur to investment by PUK’s private sector shareholders is enlightened self-interest. Having observed the contribution the HM Treasury Taskforce made to the establishment of a vibrant PFI market between 1997 and 2000, the private sector was as convinced as the public sector that a body like PUK would play a sizeable role in sustaining the delivery of well-structured PFI programmes and projects to the market well into the future. PUK’s shareholder base is shown in **Figure 2**.

Figure 2 – Shareholding in PUK

Shareholders:-	
51% private, 49% public sector	
%	
2.2	Boldswitch Ltd (The British Land Company)
2.2	Global Solutions Limited
3.3	Serco Ltd
6.1	The Royal Bank of Scotland plc
6.1	Barclays Industrial Investments Ltd
6.7	Sun Life Assurance Society plc
6.7	Abbey National Treasury Services plc
8.8	Uberior Infrastructure Investments Limited
8.8	The Prudential Assurance Company Ltd
4.4	The Scottish Executive
44.6	HM Treasury

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PUK's activities broadly divide into policy implementation activities and direct project support. PUK's involvement in the development and enforcement of standardised PPP contracts has been of particular note. This activity has had a significant impact on reducing transaction times and costs and, equally importantly, in ensuring the high quality of long-term PFI contracts entered into by the public sector.

PUK also has a role, on behalf of HM Treasury, to evaluate local government PFI projects that benefit from central financial support before they are launched on the market. Again, the emphasis is on quality control and consistency of approach in relation to issues such as value for money and affordability, helping to ensure that wherever possible, projects that go to market are likely to be bankable, affordable and deliverable.

Given the extent of the UK programme, a number of sponsoring ministries have gone on to develop their own PFI technical units (known as Departmental Private Finance Units or PFUs). The degree of interaction between PUK and these PFUs was intense in the early days of the PFI programme. Over time however, the larger spending Departments developed strong policy and transaction support capability of their own in their sector PFUs. This has meant that, over the past few years, PUK has been able to focus increasingly on projects that are core to its public mission – the very large, the very complex and the ground-breaking.

In certain cases, where an investment programme is of a large enough scale and is sufficiently homogeneous, PUK has formed programme-specific transaction and investment delivery vehicles, working alongside the sponsoring public sector department. Two examples to date are primary health care (Partnerships for Health or PfH) and secondary schools (Partnerships for Schools or PfS).

Both PfH and PfS are forms of joint venture between PUK and the sponsoring department. Each is focused exclusively on delivering specific investment programmes over a number of years using a variety of procurement approaches, not limited to PFI (i.e. also using conventional procurement methods). More information on these investment vehicles and on PUK's other activities can be found at www.partnershipsuk.org.uk/newsAttachments/documents/Puk-5yr-review.pdf.