



IMPROVING PERFORMANCE AT THE NEXUS OF THE COMMERCIAL AND SOCIAL SECTORS

ABSTRACT

UK PFI2 (DECEMBER 2016)

In 1992 the United Kingdom introduced a private finance initiative (PFI) to ensure private sector engagement in designing, building, financing and operating infrastructure facilities through long-term contracts. Over the last decades, PFI has become the main form of Public Private Partnership (PPP) used in the United Kingdom, with more than 700 projects across a broad range of sectors. The total capital value of these projects is £57.7 billion. Different studies of PFI projects have shown its benefits and disadvantages. So to improve the approach and to adapt it to the new economic environment, the UK government introduced an updated PFI2 in 2012. The main changes to the approach aim to centralize procurement by and for Government Departments and increase Treasury involvement in the procurement process; draw funding providers into projects at an earlier stage to reduce windfall gains; exclude from PFI schemes “soft services” (such as catering and cleaning); reduce the role of bank debt in financing; improve transparency and accountability by both public and private sector participants, and increase the proportion of risk carried by the public sector.

