

# UNDERSTANDING PUBLIC PRIVATE PARTNERSHIPS

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# SAMPLE DEFINITION (ILLUSTRATIVE)

*Provision of a public service or good by a private partner who has been conceded the right (the “Concession”) for the purpose for a specified period of time on the basis of pre-determined revenue stream/s that allow for commercial return on investment/market-determined management fee*

*Source IRITM LECTURES DATA BASE*

“PPP is a long term contractual arrangement between the public and the private sector where mutual benefits are sought and where the private sector provides operating services and/or puts private finance at risk.”

- Garvin and Bosso(2008)



# PPP - DEFINITIONS/CONCEPTS

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*PPP is a division of labour between the government and the private sector across policy spheres and specific collaboration on particular policy projects.*

*Advocates promote PPP as the epitome of a new generation of public sector reforms and an economic imperative for efficiency, quality.*

Private sector involvement in building infrastructure assets and in providing services derived from those assets. PPP contracts that stress long-term service delivery rather than asset creation . Services which can be provided to the government or directly to final consumers.

# DEFINITIONS PPP

- Brazil-“PPP contracts are entered into between government/public entities and private entities that establish a *legally binding* obligation to manage (in whole or in part) services and activities *in the public interest* where the *private sector* is responsible for *financing, investment and management.*”
- Commonly used labels are Private Finance Initiative (PFI), PPP, P3, Alternative Financing & Procurement (AFP), PSP-Private Sector Participation etc
- PPP is often seen as a derivative of the privatisation movement Some view it as a joint venture which spreads financial risks between the public and private sector
- PPPs often appear as a euphemism for privatising the functions of the government without compromising its legitimacy

# PPP CHALLENGES/WHAT IT IS NOT

- NEW SKILL SETS
- NEW INSTITUTIONS
- CONFLICT OF INTERESTS
- TRANSPARENCY AND ACCOUNTABILITY ISSUES

It is not: Putting public investment in private infrastructure  
Putting private investment in private infrastructure  
Putting private investment in other than providing a public service or good

- PPP is not a method for transferring responsibility from the government to the private sector. Citizens will and should continue to hold government accountable  
Government cannot use non-performance of private sector as an excuse for failure in service delivery.

# VALUE FOR MONEY ARGUMENTS

## ○ Competition

- Increase efficiency
- Maximize innovation
- Import global best practice

## ○ Risk transfer

- Private sector takes performance risk (i.e. cost, schedule, service levels)

## ○ Lifecycle perspective

- Integrate project's D, B, F, O & M phases & optimize lifecycle cost
- Reserve for future maintenance costs

PPP is not:

- New Money
- Privatization

**= Value for Money!**

**= Direct, material benefit to society!!**

**... eventually opposition goes away!!!**

# WHY PPPS

- ▶ ACCESS TO CAPITAL
- ▶ CERTAINTY OF OUTCOME
- ▶ OFF BALANCE SHEET BORROWING
- ▶ INNOVATION/ BETTER TECHNOLOGY
- ▶ TRANSFER OF RISK
- ▶ VALUE FOR MONEY
- ▶ ADDITIONALITY PRINCIPLE
- ▶ PLUGGING THE INFRASTRUCTURE DEFICIT
- IMPROVE ASSET CREATION EFFICIENCY
- IMPROVE ASSET MANAGEMENT EFFICIENCY
- IMPROVE SERVICE DELIVERY EFFECTIVENESS
- INCREASE ACCOUNTABILITY AND AUTONOMY

# PPP PROJECTS

# PRIVATE PUBLIC PARTNERSHIP

“Public-private partnership (PPP) is a system in which a government service or private business venture is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or P3 “.

Acceleration of Infrastructure Provision

Value for Money

Partnership Building

Enhanced Public Management

Genuine Risk Transfer

Output Specification

Asset Performance & Reduced Costs

Performance-Related Reward

Private Investment Promotion

Improved Quality of Service

# PPPS IN PROJECT MODE: SIGNIFICANT ASPECTS

- ◉ Project Feasibility Documentation e.g. World Class Railway Station
- ◉ Role of Consultant/Transaction Advisors
- ◉ Project Finance & Projects Risks
- ◉ Due Diligence Independent Engineer
- ◉ Regulation & Oversight e.g. Performance Reports of DIAL/MIAL
- ◉ Regulation of User Fees & Tolls
- ◉ OMDA & Key Performance Parameters
- ◉ Penalties ,Negotiations & Revenue Sharing Agreements

# OPTIONS FOR PRIVATE SECTOR PARTICIPATION

Option	Asset ownership	Operations and maintenance	Capital investment	Commercial risk	Duration
Service Contract	Public	Public and Private	Public	Public	1-2 years
Management Contract	Public	Private	Public	Public	3-5 years
Lease	Public	Private	Public	Shared	8-15 years
Concession	Public	Private	Private	Private	25-30 years
Build Operate Transfer	Private and then Public	Private	Private	Private	20-30 years
Divestiture	Private or Private and Public	Private	Private	Private	Indefinite (may be limited by license)



# WHAT IS : PROJECT DEVELOPMENT AND ITS NEED

To access commercial financing, need to focus on :

- Commercial viability
- Rigorous Environmental and Social Assessment
- Conformity to public standards and transparency
- Appropriateness of the Institutional and Legal Framework
- Contractual framework
- Comfort to investors

Create Bankable Project with

- Clear Demand Analysis
- User Willingness to Pay - User Fees
- Project Scope
- Project Cost
- Implementation Plan
- Risk - Return Analysis
- Risk Management Plan
- Legal Framework
- Financial Structure

## PROJECT DEVELOPMENT CYCLE

- A typical BOT project cycle consists of four phases
  - Project evaluation phase
  - Project documentation phase
  - Project construction phase
  - Project operation & maintenance phase

# PROJECT DEVELOPMENT CYCLE (1) & (2)

- Project Evaluation
  - Pre Feasibility Study, Detailed Feasibility Study, Environmental and Social Assessment and Environmental Management Plans
  - Approvals/ Clearances from Stakeholders
  
- Project Documentation
  - Preparation of Bidding Documents
  - Investment Banking Report and Project Information Memorandum, which lead to Financial Closure

# PROJECT DEVELOPMENT CYCLE (3)



# PROJECT DEVELOPMENT CYCLE (4)

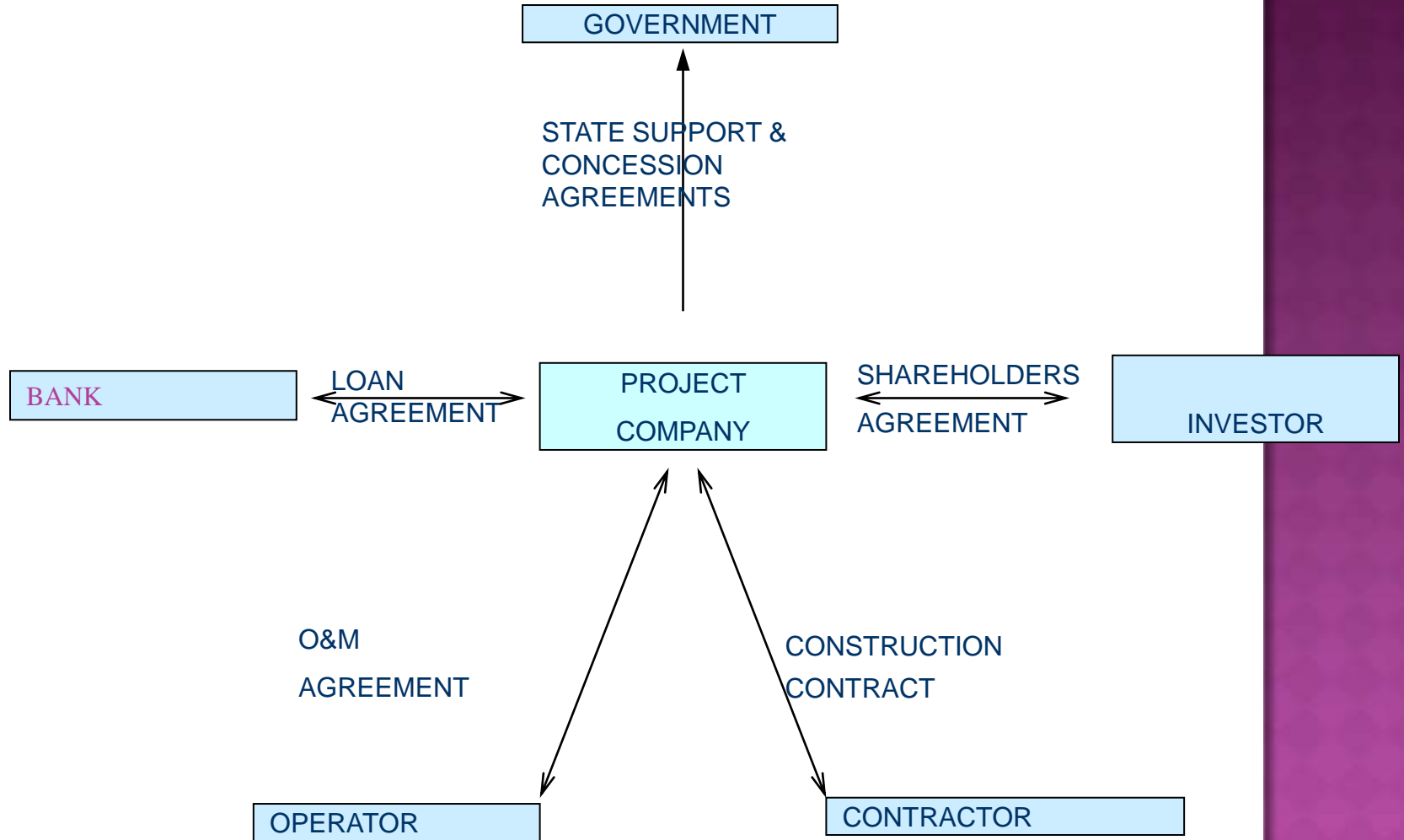
- Project Construction
  - Availability of land free of all encumbrances/ encroachments
  - Site Mobilization
  - Construction
  - Conformity to Standards

# SUMMARY : THE NEED FOR PROJECT DEVELOPMENT BANKABLE PROJECTS BY ENSURING

- ◉ Techno-Economic Viability : Financial Rate of Return
- ◉ Risk Management : Identification , Mitigation, Allocation
- ◉ Adequate Economic Rate of Return
- ◉ Rigorous Environmental and Social Assessment
- ◉ Conformity to public standards and transparency
- ◉ Appropriateness of the Institutional and Legal Framework

# WHAT IS : PROJECT STRUCTURE

## Contractual Arrangement



# WHAT IS : PROJECT STRUCTURE

## Contractual Framework

- ◉ Concession Agreement
- ◉ Support Agreement
- ◉ Land Lease Deed
- ◉ EPC Contract
- ◉ O&M Contract
- ◉ Shareholder Agreement

## Concession Agreement :

- Between Govt. - SPV
- Sets User Fees
- Legal Structure for Concession
- Period of Concession
- Support Agreements

## WHAT IS : PROJECT STRUCTURE

- O&M Contract
  - *Level of Service*
  - *User Fees - Escrowed*
  - *Performance Guarantees*
  - *Termination Clause*
- Shareholder Agreement
  - *Risk Allocation*
  - *Entry & Exit Options & Rules*
- Land Lease Deed
  - *Lease Period*
  - *Lease Amount*
  - *Acquisition & Transfer of Land*
    - *Free of Encumbrances*
- EPC Contract
  - *Engg. & Procurement Contract*
  - *Types of Contracts*
  - *Timeframes, Quality, Quantity*
  - *Performance Bonus, Guarantees/ Bonds & Defects Liability*
  - *Termination Clause*

# WHAT IS : PROJECT STRUCTURE

## Financing Documents

- Term Loan Agreements
- Security Documents
- Take Out Financing
- Inter- se Agreement

## WHAT IS : PROJECT STRUCTURE

- Term Loan Agreement :
  - *Tenor, Cost of Capital*
  - *Amount of Loan*
  - *Moratorium*
  - *Drawdown Schedule*
  - *Commitment Fees on Undrawn Amount*
  - *Management Fees - Upfront*
  - *Project Milestone Definitions*
- Risk Participation Agreement
- Take Out Financing
- Inter- se Agreement
- Typically, projects have construction periods ranging from 3-5 years
- Project Paybacks vary from 15 years to as much as 30 years
- Thus it is imperative that the financial structure for these projects includes a layer of long term financing, where the final maturity extends upto 20- 30 years
- The focus is to create a layered liability structures.....

# Due Diligence

## DUE DILIGENCE

- Demand Assessment
- Project Cost Estimation
- Technology Assessment
- Benchmarking with similar projects
- Project Documentation Analysis and vetting by Counsel
- Risk Analysis and Management Plan
- Financial Structuring

# INTERNATIONAL EXPERIENCE

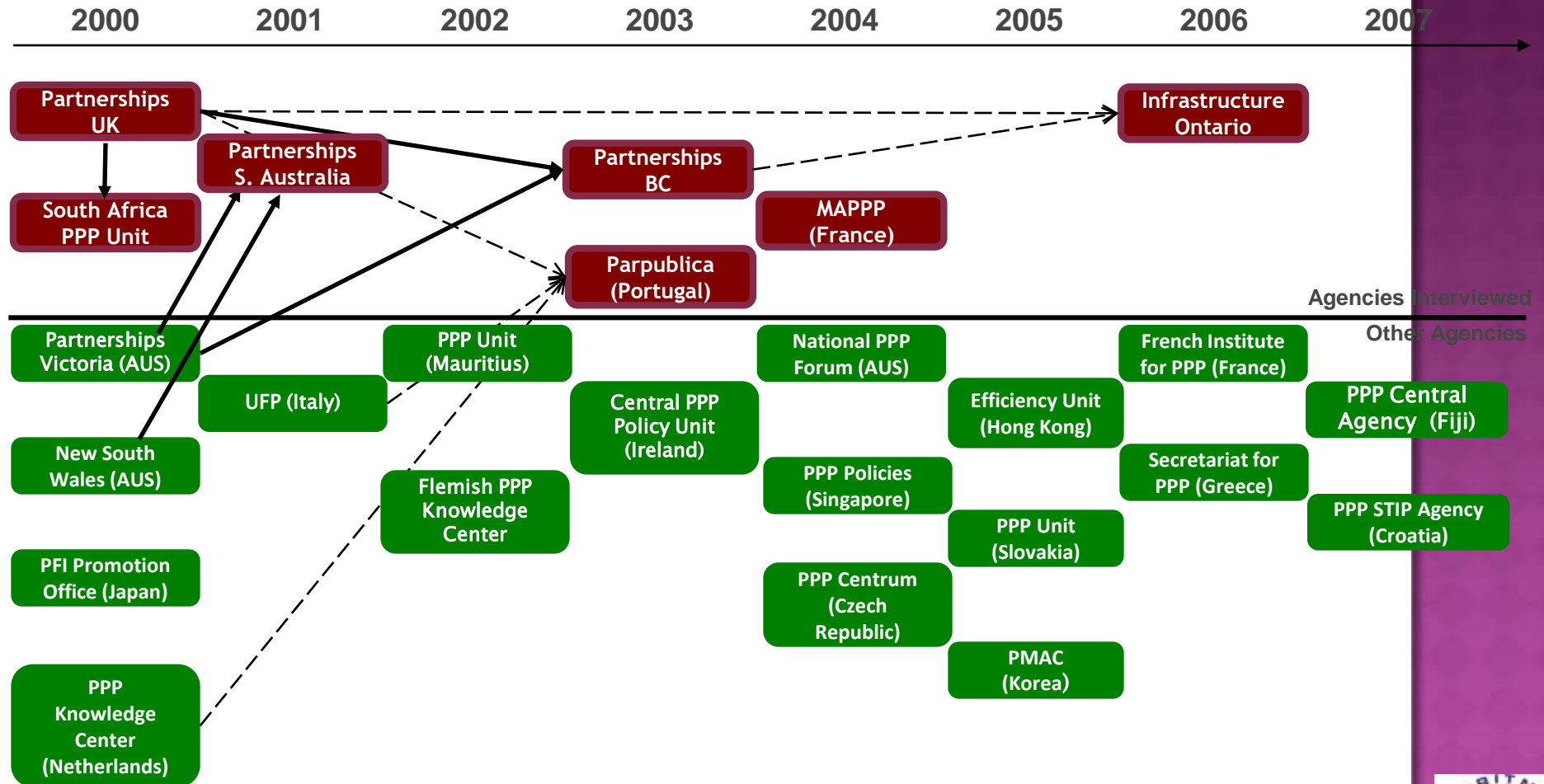
Source: PPIAF, World Bank



# PPP AGENCIES WORLDWIDE

- About 30 nation states actively pursuing the PPP model. India one of them
- Around 45 agencies set up to deliver /oversee ppp contracts
- Prominent agencies
  - Infrastructure ontario (Canada)
  - MAPPP(France)
  - Parpublica PPP(Portugal)
  - Partnerships BC
  - Partnerships UK
  - PIMAC S Korea

# GLOBAL DIFFUSION OF THE PPP AGENCY MODEL\*



Agencies Interviewed  
Other Agencies

\*Note – work in progress

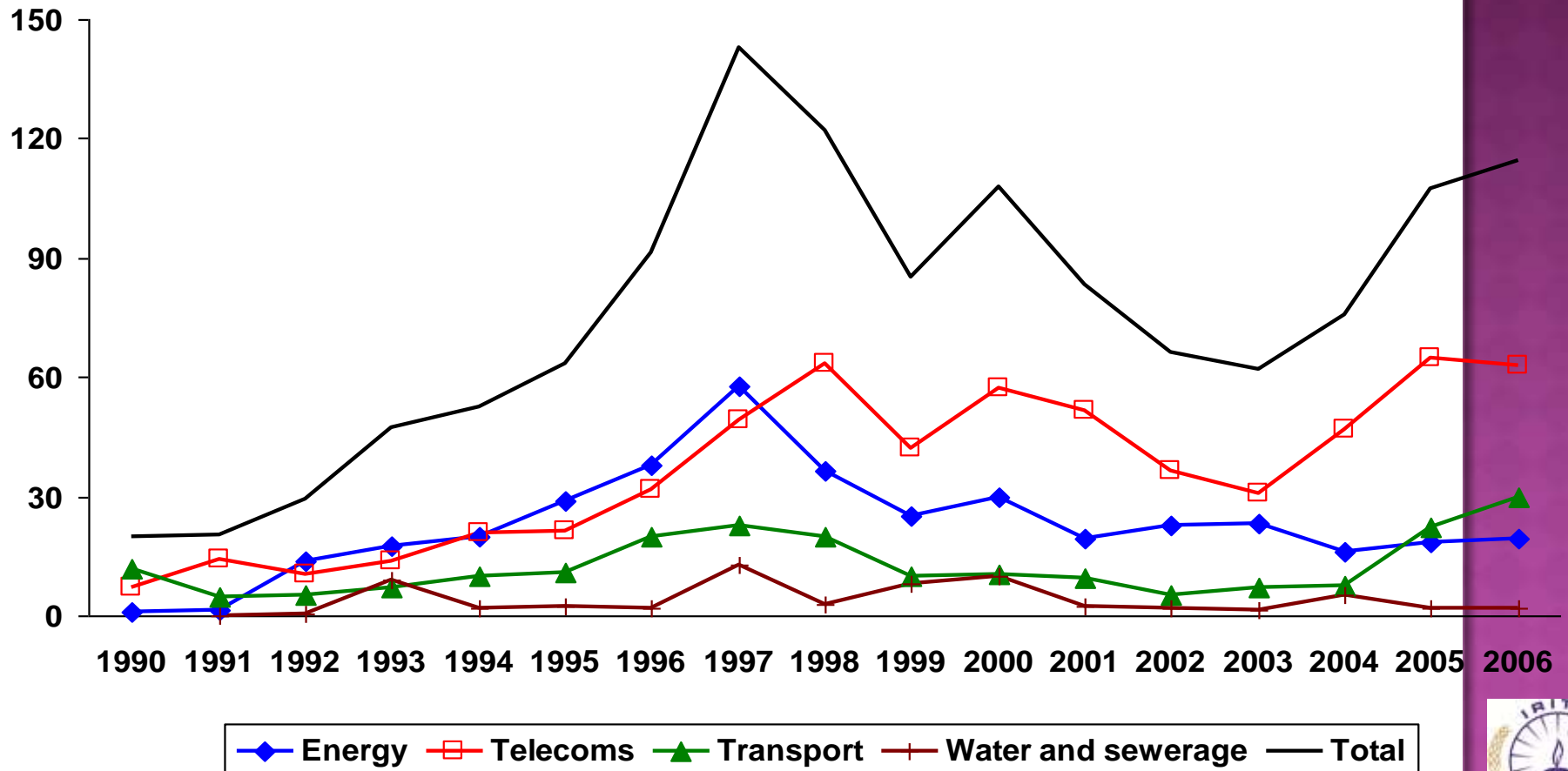


# APPROXIMATE SIZE OF VARIOUS PROGRAMS

	Value of Deals (\$B)	Number of Deals
<b>UK Highways Agency</b>	<b>\$158.0</b>	<b>846</b>
<b>Infrastructure Ontario</b>	<b>≥\$6.0</b>	<b>40+</b>
<b>MAPPP</b>	<b>\$5.8</b>	<b>147</b>
<b>Parpublica</b>	<b>\$10.2</b>	<b>49</b>
<b>Partnerships BC</b>	<b>\$4.5</b>	<b>23</b>
<b>Partnerships Victoria</b>	<b>\$5.5</b>	<b>17</b>
<b>Partnerships UK</b>	<b>\$61.7</b>	<b>450</b>
<b>South Africa PPP Unit</b>	<b>\$4.5</b>	<b>18</b>
<b>Total</b>	<b>\$256.2</b>	<b>1590</b>

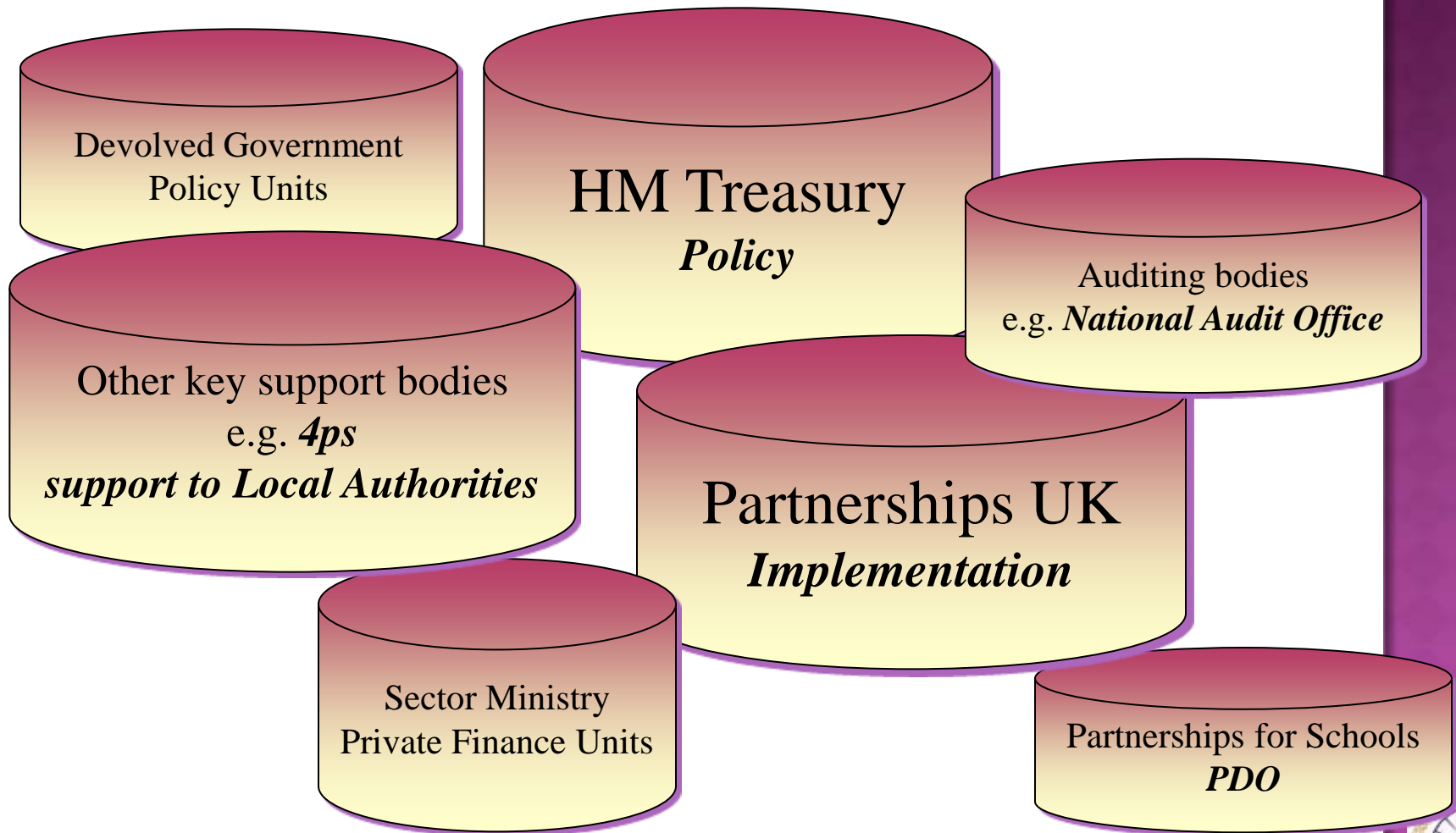


# INVESTMENT COMMITMENTS TO PPI PROJECTS IN DEVELOPING COUNTRIES BY SECTOR, 1990- 2006



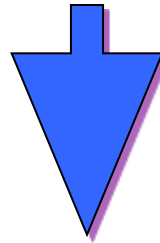
UK

# UK PUBLIC SECTOR PPP INSTITUTIONS

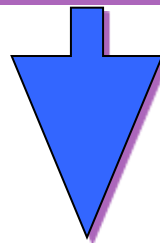


# EVOLUTION OF PUK

Private Finance Panel



Treasury Taskforce

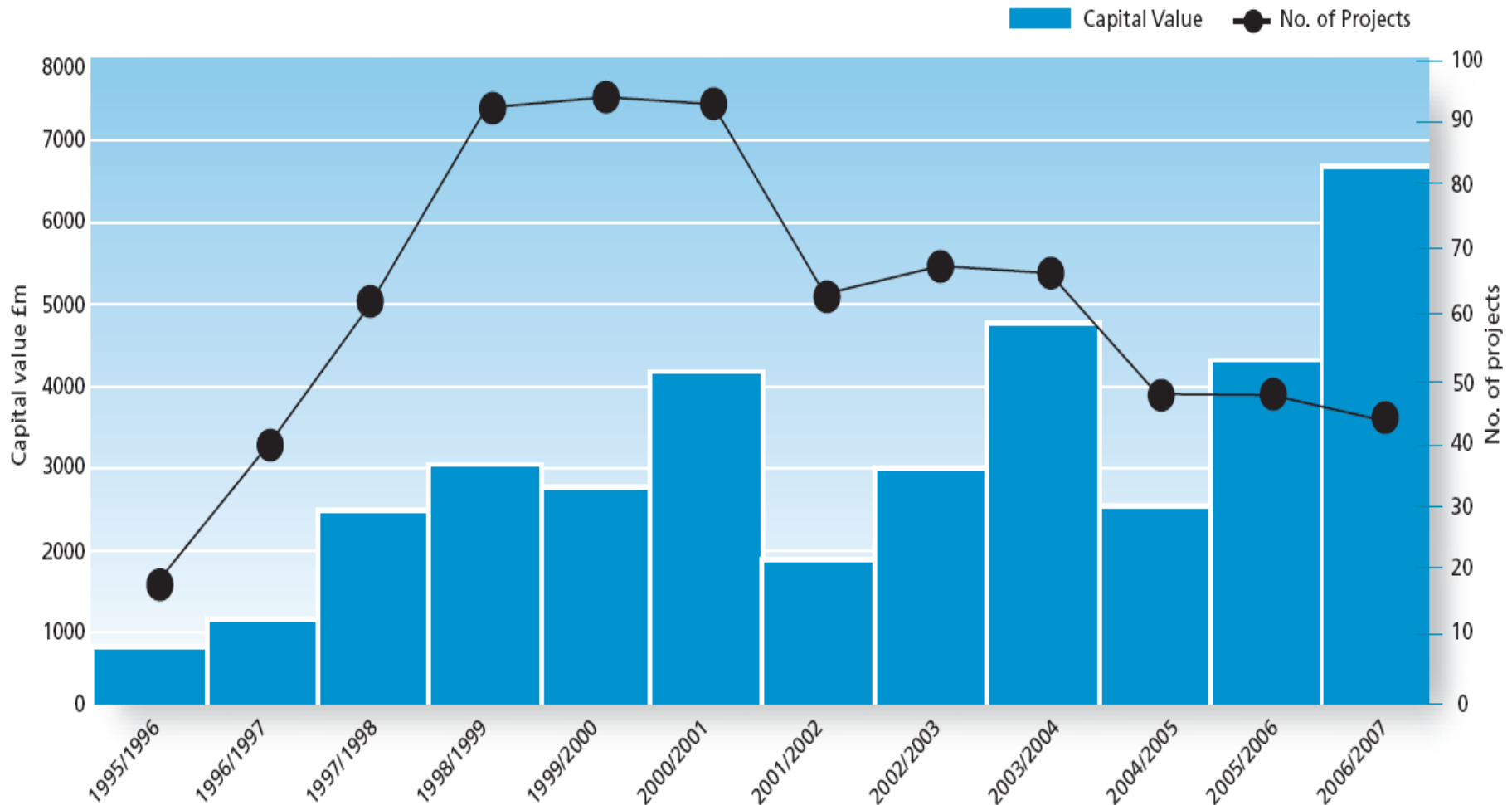


Partnerships UK

# UK PFI PROGRAMME DEVELOPMENT

893 projects, £78bn capital value, of which 687 now operational

Chart 1: size of overall market since 1995/96.



# PPP UNITS

Unit within a Government ministry	Separate publicly owned agency	Public/private body
<ul style="list-style-type: none"> <li>➤ Partnerships Victoria</li> <li>➤ Mission D'Appui aux PPP -MAPP (France)</li> <li>➤ S Africa Treasury PPP Unit</li> <li>➤ Singapore Ministry of Finance PPP Unit</li> <li>➤ Unita Tecnica, Italian Treasury</li> <li>➤ Unitatea Centrale, MoF Romania</li> <li>➤ PPS Unit, SHCP, Mexico</li> </ul>	<ul style="list-style-type: none"> <li>➤ Partnerships British Columbia,</li> <li>➤ Infrastructure Ontario</li> <li>➤ Parpublica, Portugal</li> </ul>	<ul style="list-style-type: none"> <li>➤ Partnerships UK</li> </ul>

# RESOURCES

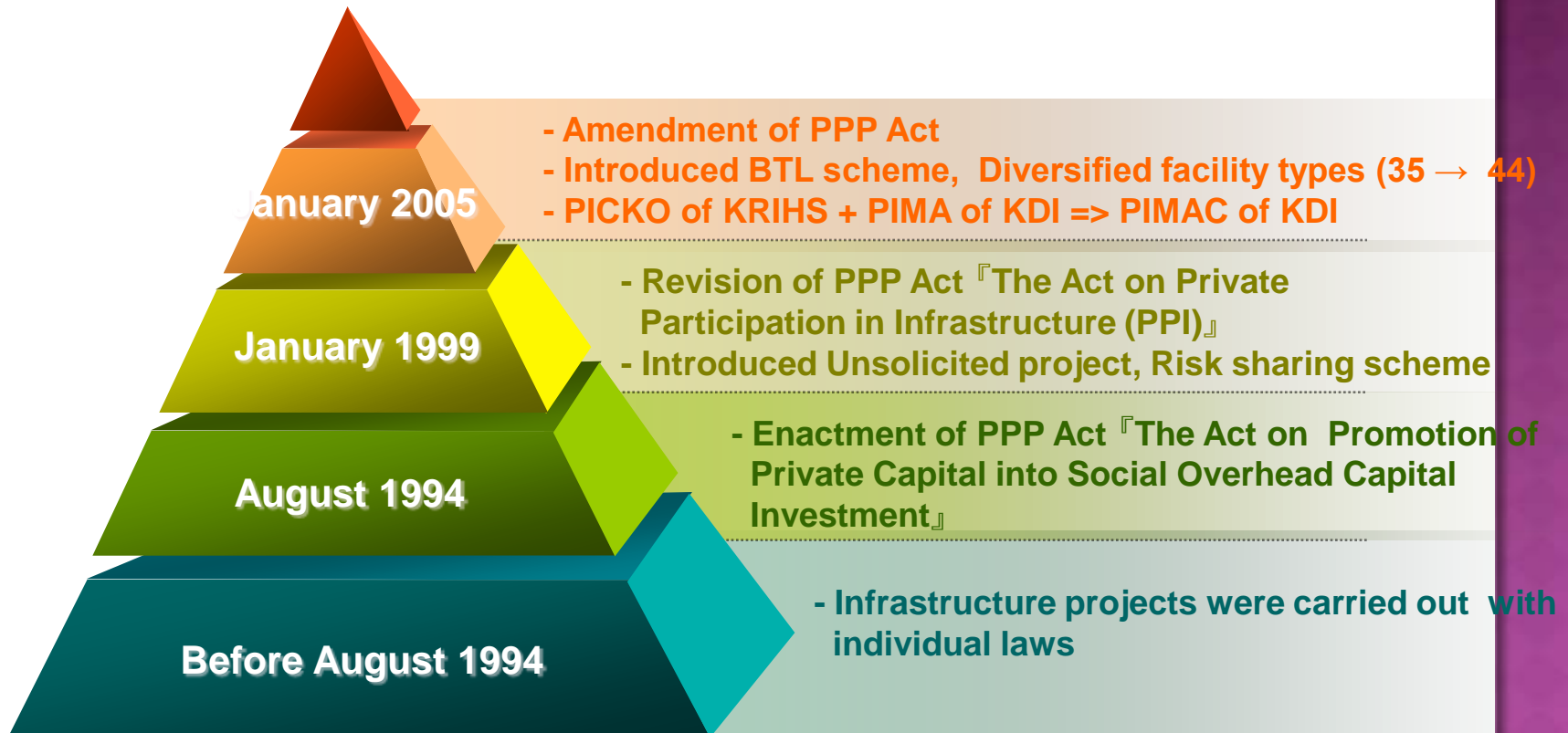
- Approx 70+ specialists: mid to late career level
- Specialists in
  - Procurement
  - Project management
  - Law/contracts
  - Finance: project finance, equity
  - Public accounting
  - Commercialisation of public assets
  - Sectors: transport, health, education, housing, property, defence, waste, water, ITC, high technology
- Drawn from private, public and third sectors



**West Middlesex Hospital**

# SOUTH KOREA

# History of PPP Act



# Legal Framework of the PPP System

- Hierarchy of legal and administrative framework of PPP System
  - PPP Act
    - PPP Act Enforcement Decrees
      - Annual PPP Plan
        - PPP Guidelines
  
- The Legal Status of the PPP Act
  - The PPP Act and the PPP Act Enforcement Decrees are the principal components of the legal framework of PPP
  - The Act is a special Act that precedes other Acts
  - Exempts PPP projects from strict regulation in national property management
  - Allows a SPC to play a role of competent authority

- The PPP Act directs the MOSF and PIMAC to issue an **Annual PPP Plan** that provides detailed and practical guidelines for implementing PPP projects
  - The yearly focus of PPP policy
  - Details in PPP project implementation procedure
  - Financing and re-financing guideline
  - Risk allocation/ Minimum revenue guarantee
  - Payment of government subsidy
  - Documentation direction
  
- PIMAC has developed **PPP Guidelines** to deliver transparency and objectivity in PPP project implementation
  - Guidelines for VfM test
  - Guidelines for RFP preparation
  - Standard output specification by facility (school, military housing, integrated school facility)
  - Guidelines for tender evaluation
  - Standard PPP concession agreements
  - Guidelines for BTL project management

# Government Support : MRG

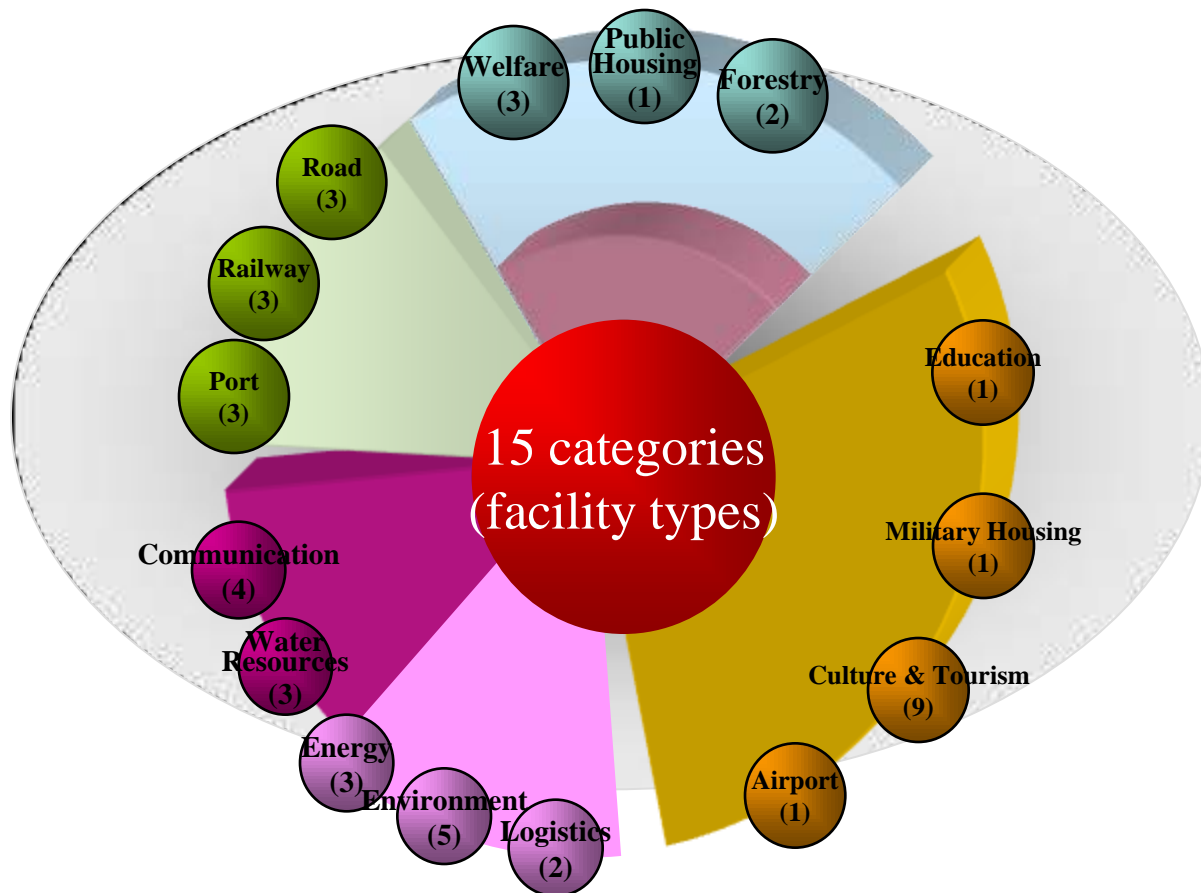
- A certain fraction of projected annual revenues may be guaranteed when the actual operating revenue falls considerably short of the projected revenue prescribed in the contract
  - Applicable only to solicited projects
  - Not applicable to projects that earn less than 50% of projected revenue

## Profile of Minimum Revenue Guarantee

	Jan 1999		May 2003	January 2006	
	Solicited	Unsolicited		Solicited	Unsolicited
Period	Whole operating period		15 Years	10 Years	Abolished
Guarantee Level (Max)	90%	80%	First 5 Years 90% Next 5 Years 80% Last 5 Years 70%	First 5 Years 75% Next 5 Years 65%	
Condition	None		No MRG applied if Actual Revenue < 50% of Forecasted Revenue	Same as Left	

# PPP Facility Types

44 types of facilities in 15 categories are eligible for PPP



# Project Initiation

## ◉ Solicited Projects

- A solicited project is that the competent authority identifies a project for private investment and announces a RFP

## ◉ Unsolicited Projects

- For an unsolicited project, a private company (project proponent) submits a project proposal, and then the competent authority examines and designates it as a PPP project

# GOVERNANCE FOR PPPS: TYPICAL ISSUES BEING FACED

- ▶ Unwillingness of incumbents to yield control over project construction & operation
- ▶ Excessive government control over functioning of PPPs
- ▶ Denial of level playing field
- ▶ Inadequate and inefficient roll out of projects
  - The demand for PPP projects is far greater than their supply
- ▶ Incumbent mindset constitutes a major challenge

# INDIA

## Enabling Policy Framework for PPPs

*“India needs a convergence between assumptions, opportunities and finances to overcome the Infrastructure deficit. The time has now come for all of us to work together to make the PPP model a success.”*

**Shri P. Chidambaram**  
(Former Finance Minister)  
Government of India

# UNECE - 7 GUIDELINES ON PROMOTING GOOD GOVERNANCE IN PPPS

- ◉ A coherent PPP policy
- ◉ Strong enabling institutions
- ◉ Legal framework-fewer, better, simpler
- ◉ Risk sharing and mutual support
- ◉ Transparency in partner selection
- ◉ Putting people first
- ◉ Achieving sustainable development

# GOVERNANCE STRUCTURE FOR PPPS

- ① Constitution of a Committee on Infrastructure (Col)- Prime Minister is the Chairperson -Ministers of Infrastructure Ministries; Finance Minister and Deputy Chairman, Planning Commission are members Empowered Sub-Committee of Col chaired by Dy. Chairman, Planning Commission and represented by Ministries
- ② Secretariat in the Planning Commission Ministries but work closely with Col to develop/implement the vision for world-class infrastructure Greater reliance on inter-ministerial/disciplinary dialogue to enrich outcomes & eliminate conflicts of interest.
- ③ PPP Appraisal Committee: Appraises & recommends all PPP projects of the Central Government - Chaired by the Finance Secretary - Appraisal Unit in the Planning Commission
- ④ Empowered Committee/ Institution-Approves proposals for Viability Gap Funding (upto 20% of capital costs) - Chaired by Secretary/ Addl. Secretary, Department of Economic Affairs - Appraisal Unit in the Planning Commission



# CENTRAL GOVERNMENT INITIATIVES FOR PROMOTING PPPS IN INFRASTRUCTURE

- **GOVERNANCE INITIATIVES:** Committee on infrastructure Aug 31, 2004 ( C O I ) Empowered sub-committee of COI (ESCOI) May 16,2005 PPP Appraisal Committee (PPPAC)
- India Infrastructure Finance Company Limited (IIFCL)
  - Raises funds against Sovereign Guarantees
  - Provides upto 20% of capital costs as long-term debt
- **FINANCIAL INITIATIVES :** Viability Gap Funding Scheme (2006) to enhance the financial viability of competitively bid Infra projects 20 % of capital cost to be provided as grant by the Central Government Additional 20% can be provided by sponsoring Ministry, State Government etc

# ROLE OF INDIA INFRASTRUCTURE PROJECT DEVELOPMENT FUND (IIPDF)

- Set up by the GOI with an initial **Corpus fund -Rs. 100 crore**, to assist **upto 25% of Project Development Expenses (PDE)** with Interest free Loans On successful completion PDE would be **recovered from the successful bidder**
- PDE includes **Cost of Engaging Consultants & Transaction Advisors**, IIPDF gives **Rs. 1 crore** to hire Consultants
- **Planning Commission** also give **Rs. 25 lakhs** for hiring Consultants Up to March 2009, PPPAC approved 94 projects at an investment of **Rs 84,407 crores** (Mainly Road sector, few in ports)
- Overall 139 projects are through the PPP route with a capital investment of **Rs 1,18,830 crore/ VGF component of Rs 38,993 crores** ,Additional 44 projects of state governments approved at a cost of **Rs 34423 crores**



# ENABLING FRAMEWORK FOR PPPS

- ⦿ Planning Commission has schemes to help out with project consultancy for feasibility studies, DPR etc through IIPDF- India Infrastructure Project Development Fund- for development expenses of infra projects including consultancy charges

## TAX CONCESSIONS

- ▶ 100% Exemption on Income tax for 10 years for Infra projects
- ▶ Tax exemption and duty free import for road building machinery etc

# FINANCIAL ARRANGEMENT/IIFCL

- India Infrastructure Finance Company Ltd in 2006, provides financial assistance upto 20% of project cost/direct lending/refinancing banks and FIs, 267 projects sanctioned by IIFCL with loan disbursement of Rs 22500 cr upto March 2012
- IIFCL to raise tax free bonds for Rs. 1500 Cr to help refinance bank/re-lending

# INFRASTRUCTURE DEFICIT & CHALLENGES

## Highways

- 70,548 Km of NH (2% of network, 40% of traffic): only 17% Four-lane; 53% Two-lane; and 30% Single-lane

## Ports

- Inadequate berths, rail / road connectivity and draft are constraints

## Airports

- Inadequate capacity: Runways, aircraft handling capacity, parking space & terminal buildings

## Railways

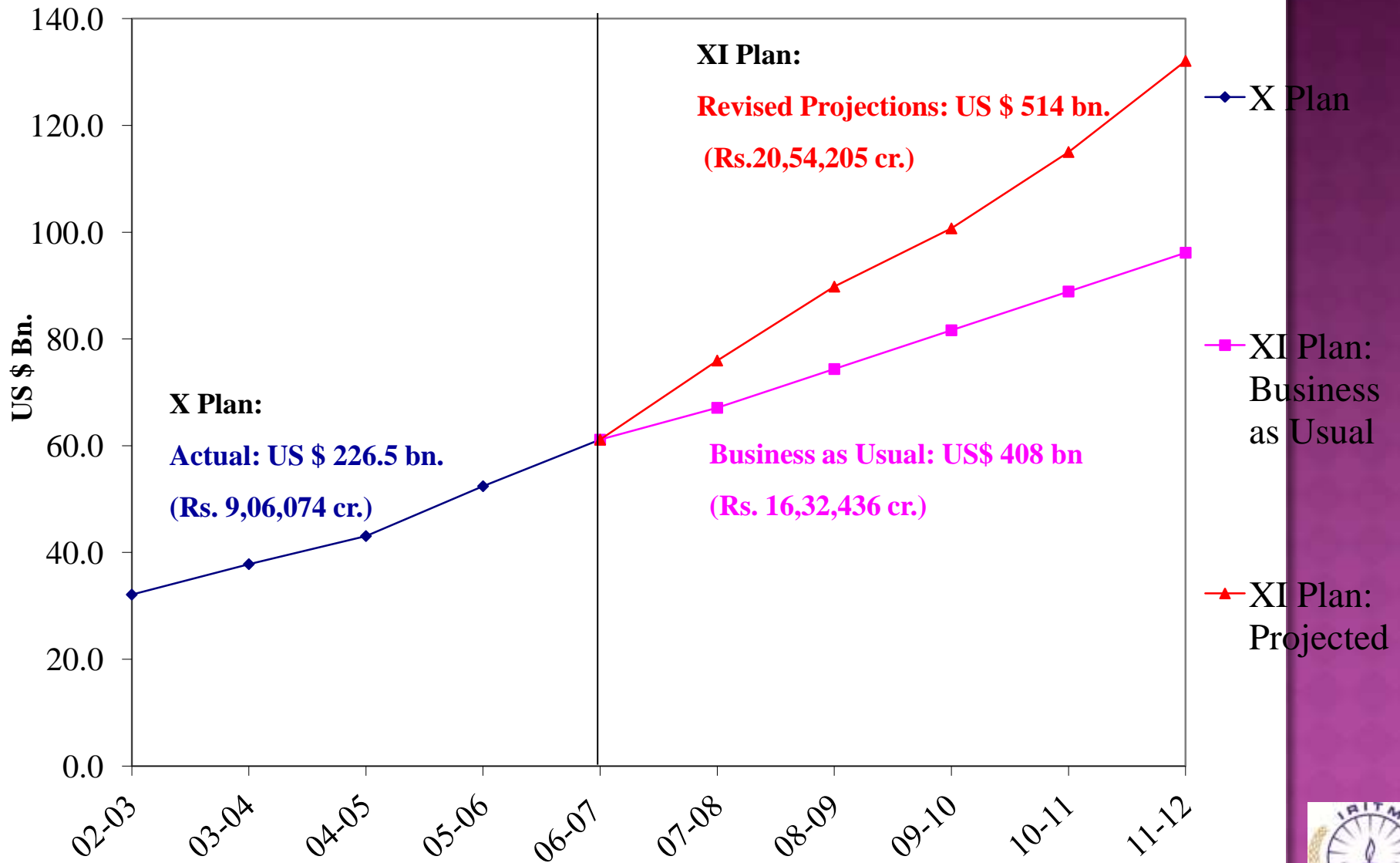
- Old technology; saturated routes: slow average speeds (freight: 22 kmph; passengers: 50 kmph); low payload to Tare ratio (2.5)

## Power

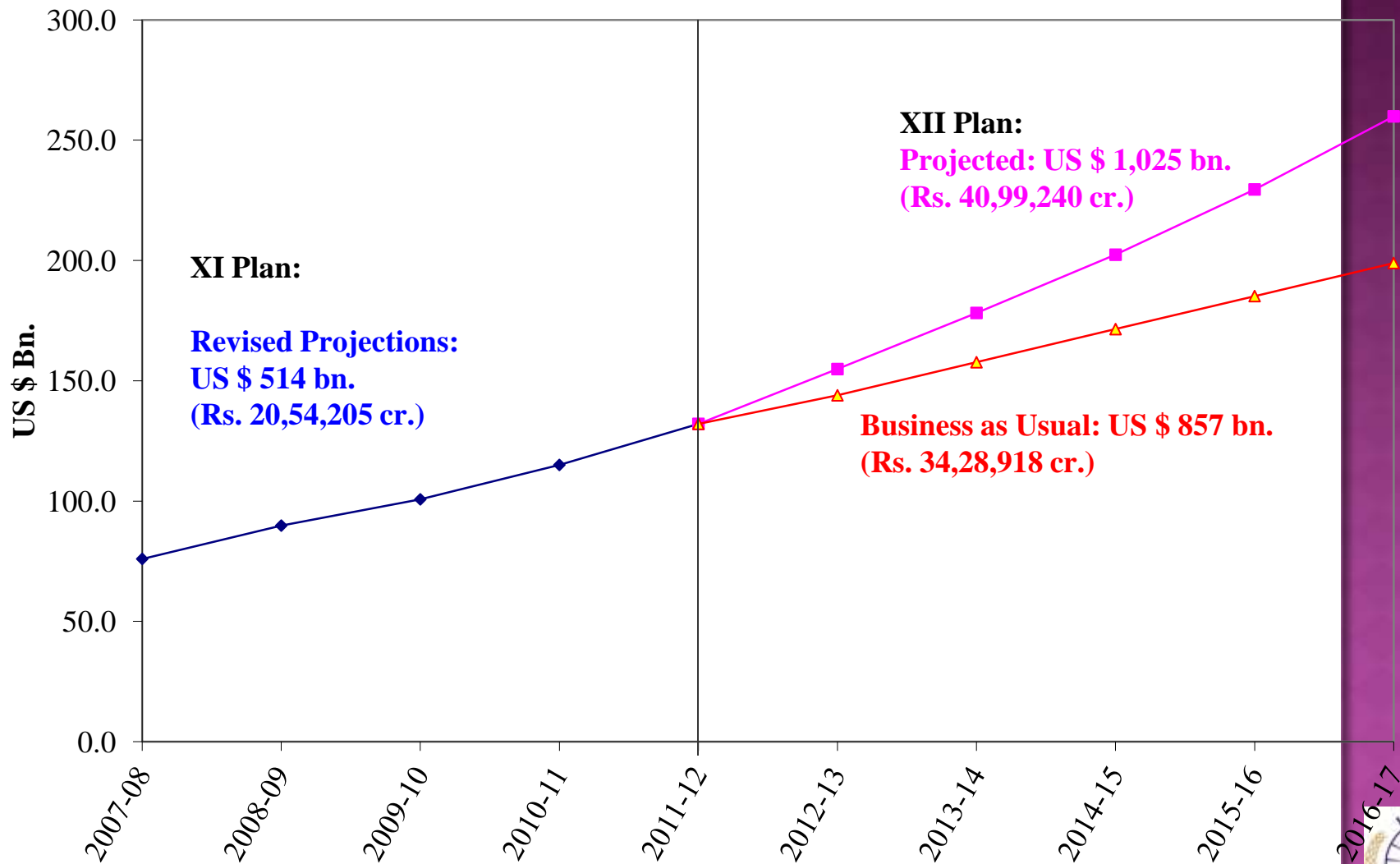
- 14% peaking deficit and 11% energy shortage; 27% T&D losses; absence of competition; and inadequate private investment



# Projected Investment in Infrastructure



# Projected Investment in Twelfth Plan



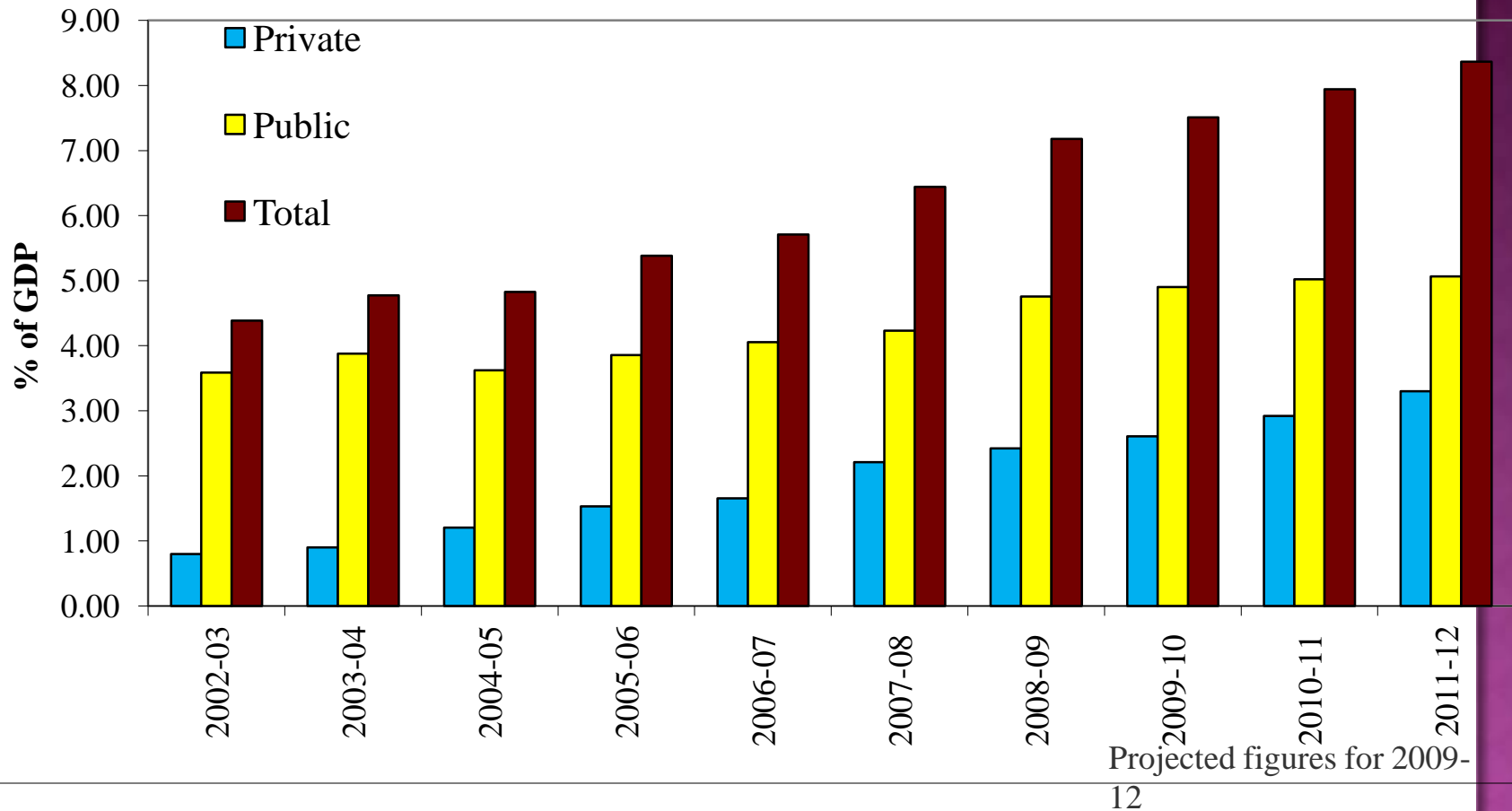
2016-17



# PROJECTED INVESTMENT IN INFRASTRUCTURE (REVISED)

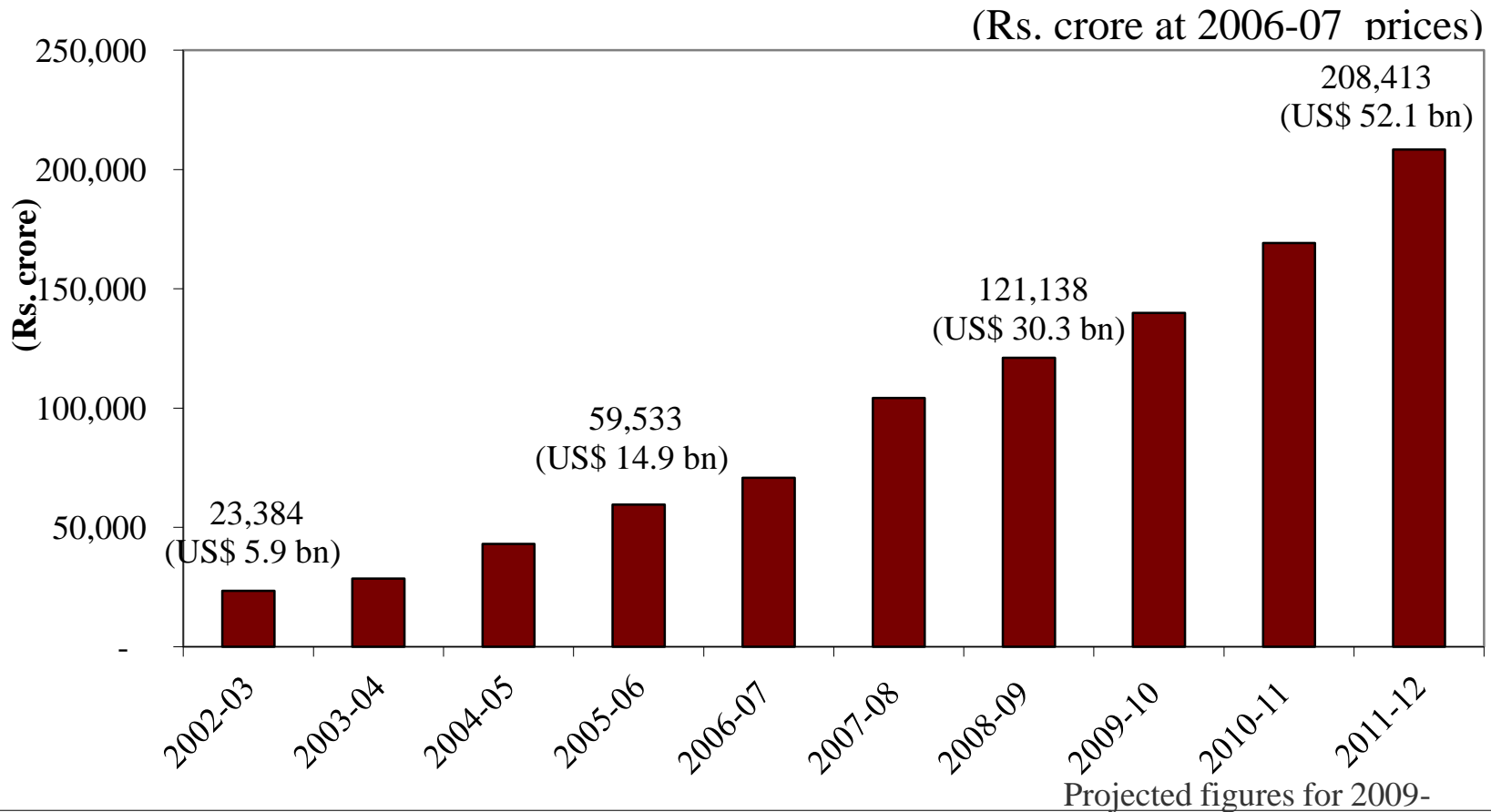
Sectors	X Plan		XI Plan		XII Plan	
	(Rs. crore at 2006-07 prices)	Share (%)	Rs. crore at 2006-07 prices)	Share (%)	(Rs. crore at 2011-12 prices)	Share (%)
Electricity (incl. NCE)	2,74,661	37.55	6,66,525	32.06	14,99,914	29.14
Roads and Bridges	1,52,616	14.03	3,14,152	13.57	920,071	17.87
Telecommunication	1,44,669	11.25	2,58,439	16.80	8,84,204	17.81
Railways (incl. MRTS)	1,03,493	11.27	2,61,808	9.78	5,57,637	10.84
Irrigation (incl. Watershed)	1,21,475	11.78	2,53,301	11.99	4,30,103	8.36
Water Supply & Sanitation	60,499	6.63	1,43,730	5.44	2,07,684	4.04
Ports	22,329	2.54	87,995	1.98	1,60,559	3.12
Airports	7,354	0.76	30,968	1.76	71,000	1.40
Storage	23,389	2.56	16,855	0.91	47,670	0.92
Oil & Gas Pipelines	5,591	0.62	22,378	1.10	1,20,175	2.34
<b>Total</b>	<b>9,16,076</b>	<b>100</b>	<b>20,56,150</b>	<b>100</b>	<b>51,46,427</b>	<b>100</b>

## Investment in Infrastructure as % of GDP



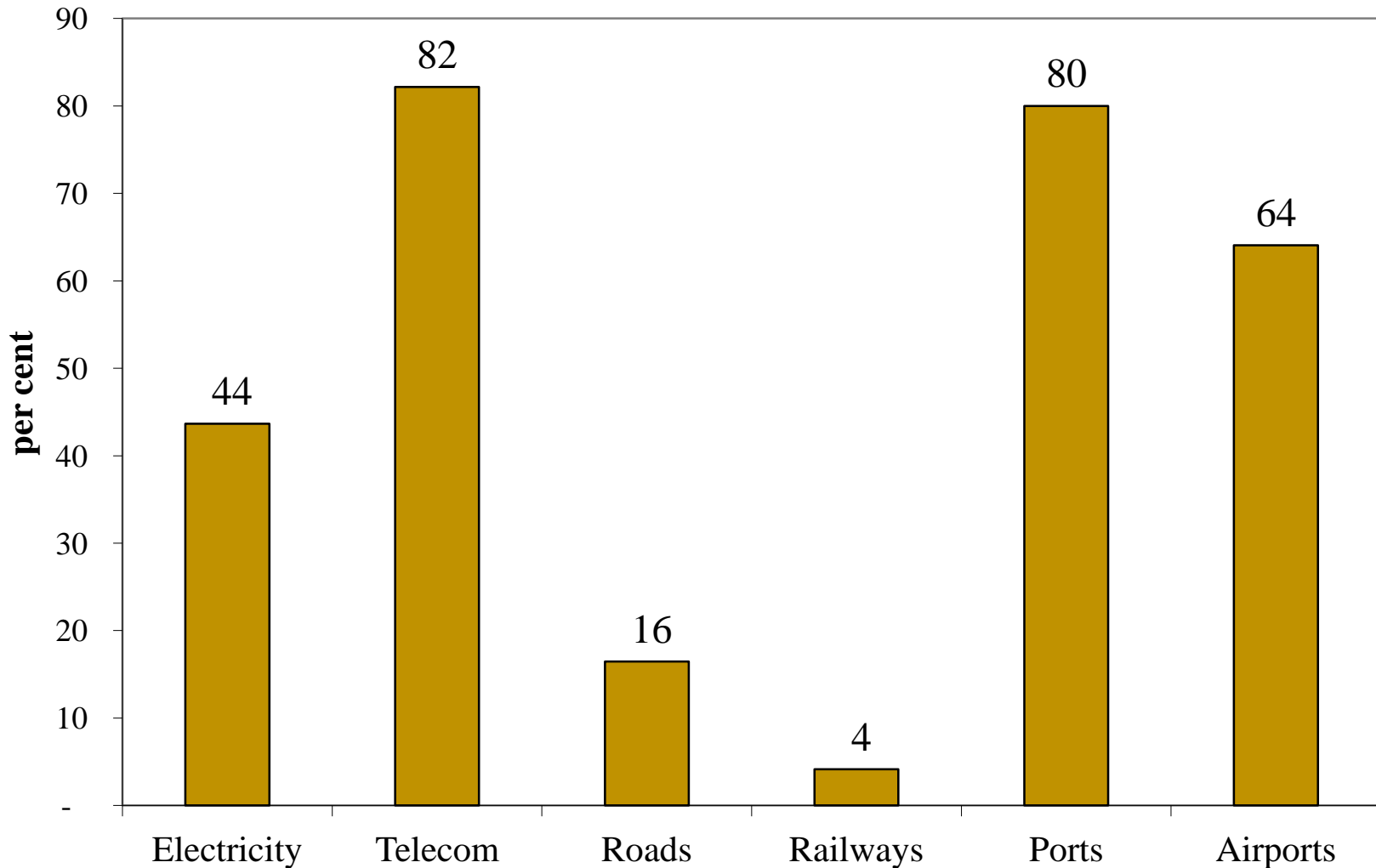
***The investment in infrastructure, as percentage of GDP is expected to witness a steady increase, reaching to 10.40 per cent of GDP in the terminal year (2016-17) of the Plan. The average investment for the Twelfth Plan as a whole is likely to be about 9.14 per cent of GDP as compared to 7.22 per cent during the Eleventh Plan.***

# Growth of Private Investment



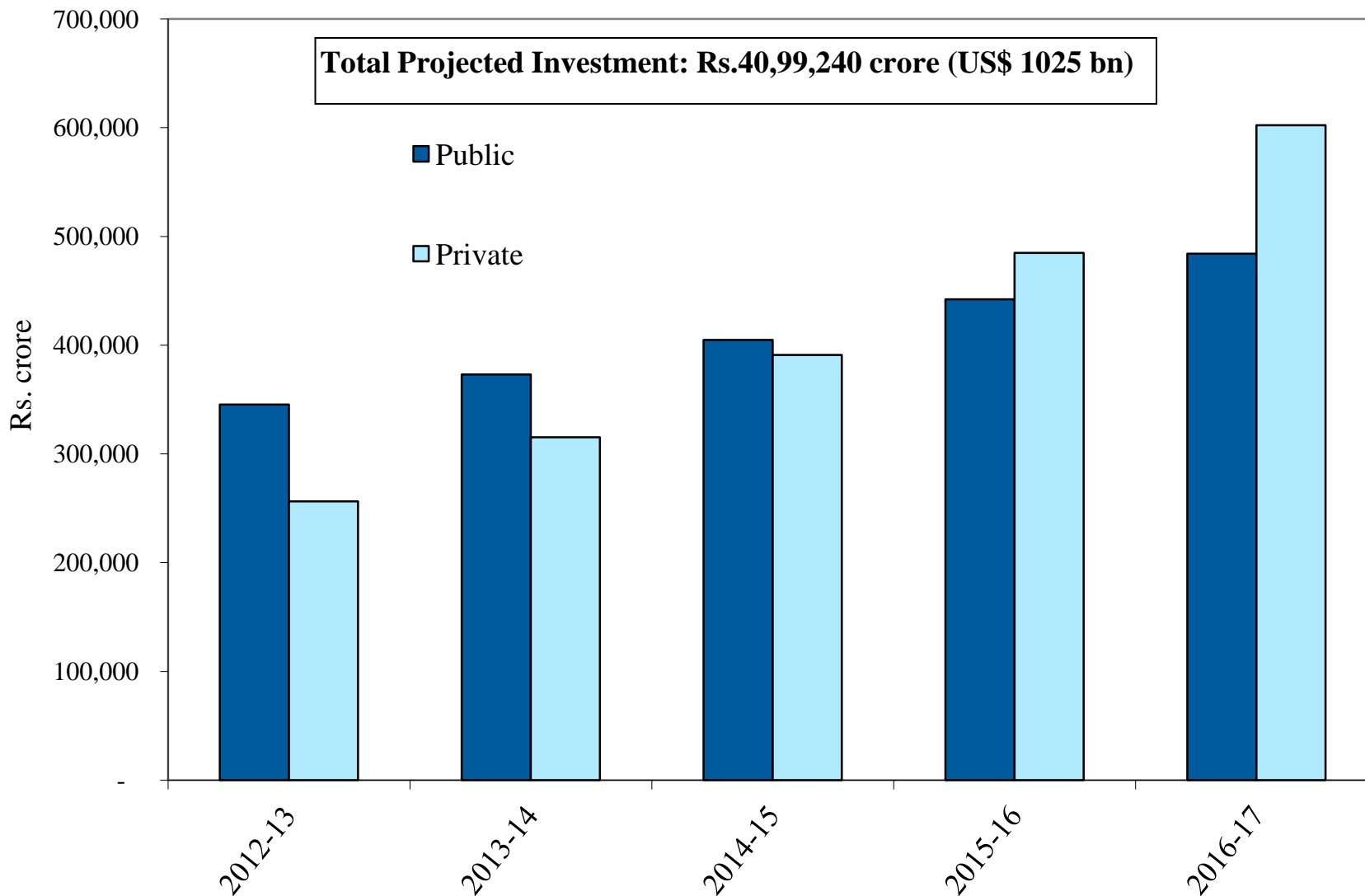
The share of private investment in the Eleventh Plan is expected at **37.53**<sup>12</sup> per cent as compared to **22.04** per cent realised during the Tenth Plan, share of private investment in the Twelfth Plan is expected at **46.68** per cent.

# Sector-wise share (%) of private investment during the Eleventh Plan



# Share of Private Investment in Twelfth Plan

(Rs. crore at 2006-07 prices)



# PPP Projects in Central and States Sectors (as on March 31, 2011) *Source: Planning Commission*

Sl. No.	Sector	Completed Projects		Projects Under Implementation		Projects in Pipeline		Total	
		No. of Projects	Projects Cost(Rs. crore)	No. of Projects	Projects Cost(Rs. crore)	No. of Projects	Projects Cost(Rs. crore)	No. of Projects	Projects Cost (Rs. crore)
<b>(A) Central Sector</b>									
1	<b>National Highways</b>	55	20,139	127	103,455	60	52,573	242	176,167
2	<b>Major Ports</b>	29	9,677	20	34,138	24	16,964	73	60,779
3	<b>Airports</b>	3	5,883	2	23,310	14	12,387	19	41,580
4	<b>Railways</b>	5	1,166	4	2,363	6	95,535	15	99,064
	<b>Total (A)</b>	<b>92</b>	<b>36,865</b>	<b>153</b>	<b>1,63,266</b>	<b>104</b>	<b>1,77,439</b>	<b>349</b>	<b>3,77,590</b>
<b>(B) State Sector</b>									
1	<b>Roads</b>	141	11,438	91	28,901	234	132,668	466	173,007
2	<b>Non-Major Ports</b>	20	26,964	40	55,853	25	41,073	85	123,890
3	<b>Airports</b>	2	4,957	7	4,571	9	4,265	18	13,793
4	<b>Railways</b>			1	500	3	312	4	812
5	<b>Power</b>	14	19,019	96	29,585	89	82,245	199	130,849
6	<b>Urban Infrastructure</b>	95	8,611	103	42,546	227	81,265	425	132,422
7	<b>Other Sectors</b>	68	3,053	94	51,605	257	91,166	419	145,824
	<b>Total (B)</b>	<b>340</b>	<b>74,042</b>	<b>432</b>	<b>2,13,561</b>	<b>844</b>	<b>4,32,994</b>	<b>1,616</b>	<b>720,597</b>
<b>(C) Grand Total (A + B)</b>		<b>432</b>	<b>1,10,907</b>	<b>585</b>	<b>3,76,827</b>	<b>948</b>	<b>6,10,433</b>	<b>1,965</b>	<b>1,098,187</b>

# FACTORS IMPACTING PPP AGREEMENTS

- The sector to which PPP relates and its amenability for commercialisation
- Legal, policy and regulatory framework
- Location ,project design, risks,environmental and social issues
- Rigorous project preparation
- Sensitisation of all stakeholders
- Shift in the mindset of Government

# ADVANTAGE OF PPP VS NORMAL PROCUREMENT

- ① Cost of project shared with private developer
- ① Maintenance risk transferred to private partner
- ① Underlying ownership of assets continue to vests with Government
- ① Better Quality Infrastructure
- ① Part of toll revenue accrue to Government
- ① Traffic growth to result in increased revenue on account of additional sale of Petrol/Diesel
- ① Economic and Social development of region
- ① Inflow of industrial investment

# PPP IN BIMSTEC

# PUBLIC-PRIVATE PARTNERSHIP IN BANGLADESH

- ◉ Fast changing policy situation with globalization and deregulation recognizes increasingly important role of private sector in Bangladesh
- ◉ Bangladesh has a very rich experience on PPP, especially in respect of the scope and diversity of Non-Government Organization (NGO) activities in social services

# SECTORS OF PPP IN BANGLADESH

- Health Sector
- Education Sector
- Infrastructure Development
- Tourism Sector
- ICT Sector
- Industries

# THE SPECTRUM OF RELATIONSHIP IN PPP

- ◉ **Parallel activities:** Public and private activities are carried out without any contact with each other or acknowledgement of the existence of each other
- ◉ **Competitive activities:** The activities in the public and private sectors are carried out with same or similar objectives, targeting common clientele and competing with each other, which may mean either wasteful duplication of activities or enlargement of choices for the beneficiaries.
- ◉ **Complementary activities:** Activities or services from the public and the private sectors complement each other in terms of nature and content of services or geographical and population coverage, either by design or incidentally
- ◉ **Contractual services:** The government contracts private sector for providing specified services for agreed fees, with the contractor being accountable to the government authority.
- ◉ **Cooperation and collaboration:** Public and private actors work together on the basis of shared objectives, strategies and agreed criteria regarding assessing process and outcome; the partners also cooperate in developing common objectives and strategies and criteria for assessment of activities.



# WHO ARE THE PARTNERS

## Public Sector Partners

- ◉ National government
- ◉ District administration
- ◉ Municipal authorities
- ◉ Local government bodies
- ◉ Para-statal corporations
- ◉ State universities and research organizations

## Private Sector Partners

- ◉ Commercial for-profit enterprises
- ◉ Development-focused voluntary non-governmental organizations (NGOs)
- ◉ Cooperative societies
- ◉ Community-based organizations
- ◉ Religious organizations
- ◉ Professional organizations
- ◉ Trade unions
- ◉ Research and academic institutions
- ◉ Households

# PUBLIC-PRIVATE PARTNERSHIP AND SAI BANGLADESH

- The audit mandate of the SAI Bangladesh with regard to audit of PPP is clear. All PPP, where the government has a majority interest are within the purview of audit of SAI Bangladesh
- The formidable task in this audit is the minimization of risks, which is achieved through comprehensive audit plan
- The SAI is very careful in assessing the capacities of the private sectors in delivering the “public goods” through partnership
- A public-private partnership within the SAI itself in terms of cooperation with the professional accounting bodies and hiring of private sector experts is also being contemplated in this type of audit.

# PUBLIC PRIVATE PARTNERSHIP IN THAILAND

- Traditionally, government projects in Thailand have been predominantly financed through conventional procurement methods.
- It was difficult to deliver infrastructures without incurring burdens on government's balance sheet.
- Therefore, the role of the private sector by introducing PPP in government's procurement in early 90's.

# SECTORS OF PPP IN THAILAND

- ◉ *Power/ Electricity Sector*
  
- ◉ *Telecom Sector*
  
- ◉ *Ports*
  
- ◉ *Water and Sanitation*
  
- ◉ *Transport:*
  - a) *Toll Roads/Expressway*
  - b) *Mass transit*

# ISSUES AND CHALLENGES

- ◉ ***Unclear Governing Framework***
- ◉ ***Fragmented Authorities***
- ◉ ***Time Consuming Procedure***
- ◉ ***Insufficient Institutional Supports***
- ◉ ***Lack of Rules and Capacity with respect to Risk Allocation***

# CURRENT DEVELOPMENT AND FUTURE AGENDAS

- ◉ **Amendments to the Existing Law**
- ◉ **More Streamlined Process**
- ◉ **Reasonable Risks Allocation**
- ◉ **Future Agendas**
  - a) Create a central agency
  - b) Create a more acceptable rules for risk allocation and mitigation.
  - c) Develop template documents for use in Request for proposal (RFP), bidding, contract negotiation, model contract framework etc.
  - d) Undertake pre-feasibility studies across various infrastructure
  - e) Create Project Development Fund to finance project development studies and repay by successful tender.

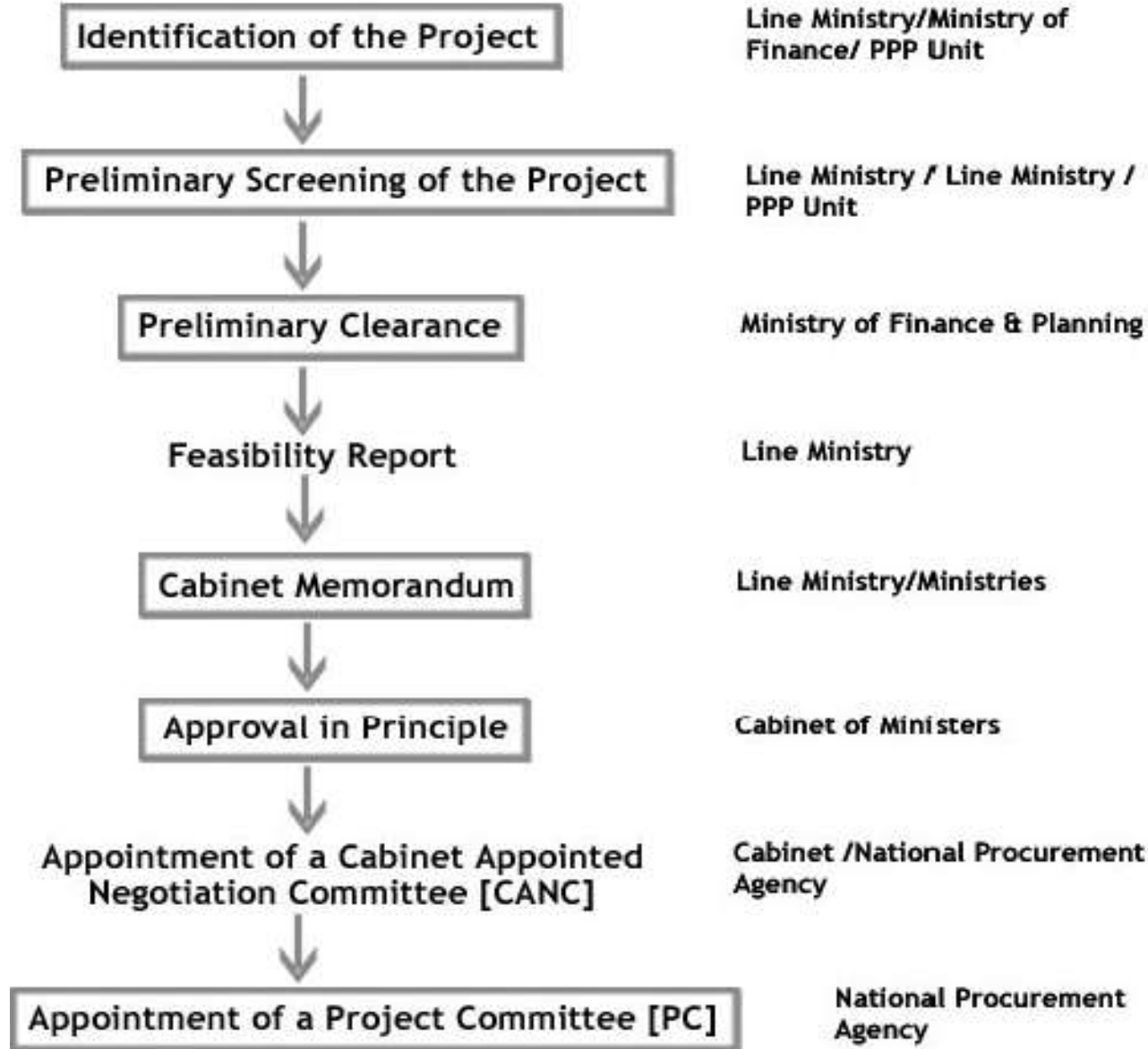
# PUBLIC-PRIVATE PARTNERSHIP IN SRI LANKA

- ◉ Started in the early 90's
- ◉ Privatization of Public Sector Undertakings was undertaken
- ◉ Government considering alternative financing schemes other than budgetary allocations and sovereign borrowings were reducing
- ◉ Energy crises in 1996
- ◉ International lending institutions interested in promoting development of Private Sector and Privatization of traditional Public Sector Enterprises

# BUREAU OF INFRASTRUCTURE INVESTMENT (BII)

- ◉ Set up as a separate unit under the Board of Investment of Sri Lanka in 1996 which came under Ministry of Finance.
- ◉ The BII was the successor to the Secretariat for Infrastructure.
- ◉ Development (SIDI) which was a US AID funded project under Ministry of Plan Implementation.
- ◉ BII had specialists in Finance, Legal, Structuring of projects, Negotiations and worked with line ministries for technical input.
- ◉ Responsible for facilitating private sector investment in BOO, BOT projects.

# PPP PROCUREMENT PROCESS PROCUREMENT PROCESS



# ECONOMIC INFRASTRUCTURE PROJECTS FOR PPP ARRANGEMENTS

- ◉ **Power & Energy Sector**
- ◉ Electricity Generation, transmission & distribution
- ◉ Oil Refinery
- ◉ **Transport Sector**
- ◉ Highways
- ◉ Ports, Toll Roads, Bridges
- ◉ Airports, Runways & Terminals
- ◉ Railways, Services & Freight
- ◉ Transport Systems, Passenger Terminals
- ◉ **Telecommunication Sector**
- ◉ Fixed CDMA & Mobile Local Telephone Services
- ◉ Domestic & International Telephone Services
- ◉ **Property Development Sector**
- ◉ Industrial Parks
- ◉ Land Reclamation, land Fills
- ◉ Warehouse, Housing, Markets
- ◉ **Water Sector**
- ◉ Potable water generation & distribution
- ◉ Water Supply & Drainage
- ◉ **Other Sectors**
- ◉ Solid Waste Management
- ◉ Sewage Collection & Transmission

# LINE AGENCIES INVOLVED IN PPP ARRANGEMENTS

- ◉ Ceylon Electricity Board
- ◉ Road Development Authority
- ◉ Sri Lanka Ports Authority
- ◉ Board of Investment of Sri Lanka
- ◉ Sri Lanka Railways
- ◉ National Water Supply & Drainage Board
- ◉ Urban Development Authority

# THANK YOU!

