High-level Expert Group Meeting on Infrastructure Public-Private Partnerships for Sustainable Development
11-13 November 2012
Tehran, Islamic Republic of Iran

Principal Barriers/ Constraints to Successful Public-Private Partnerships
http://www.unescap.org/ttdw/ppp/index.html
### Investment in PPPs (1990-2011) (million US $)

<table>
<thead>
<tr>
<th>Region</th>
<th>Energy</th>
<th>Telecom</th>
<th>Transport</th>
<th>Water &amp; sewerage</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Asia</td>
<td>45,956</td>
<td>73,172</td>
<td>6,954</td>
<td>2,320</td>
<td>128,402</td>
</tr>
<tr>
<td>North-east Asia</td>
<td>41,650</td>
<td>15,036</td>
<td>48,566</td>
<td>9,492</td>
<td>114,744</td>
</tr>
<tr>
<td>Pacific</td>
<td>84</td>
<td>469</td>
<td></td>
<td>71</td>
<td>624</td>
</tr>
<tr>
<td>South Asia</td>
<td>130,672</td>
<td>106,359</td>
<td>58,271</td>
<td>355</td>
<td>295,656</td>
</tr>
<tr>
<td>South-east Asia</td>
<td>90,127</td>
<td>75,938</td>
<td>29,927</td>
<td>20,398</td>
<td>216,390</td>
</tr>
<tr>
<td>South-west Asia</td>
<td>23,498</td>
<td>34,336</td>
<td>8,190</td>
<td>942</td>
<td>66,966</td>
</tr>
<tr>
<td>Grand Total</td>
<td>331,986</td>
<td>305,310</td>
<td>151,908</td>
<td>33,578</td>
<td>822,781</td>
</tr>
</tbody>
</table>
Investment in PPPs (1990-2011) by sector and region
Investment in PPPs (1990-2011) by sector and principal countries
Investment in PPPs (1990-2011) by year and region
Barriers to PPPs (1)

- Lack of ownership of, and support for PPP programmes
- Lack of awareness/poor understanding about PPPs by politicians/decision makers
- Lack of capacity in public (and private) sector (at the working level) concerning project development and implementation
- Absence/inadequate coverage of PPP legal regime/institutional framework
- PPP process not clearly defined
- Non-availability of model concession agreements
Barriers to PPPs (2)

- Lack of public sector project development funds
- Difficulties in obtaining long-term finance
- No provision by governments of incentives/subsidies/viability gap funding
- Land acquisition difficult and time consuming
- Lack of coordination between central and local governments
- Contagion effects of domestic/regional economic and political environment
Self Assessment of Principal Barriers/Constraints to Successful Public-Private Partnerships
ESCAP’s PPP Readiness Self-Assessment Tool

Conducive Environment/Climate for PPPs

General Investment Climate
- Macroeconomic Environment
- Business Climate
- Financial Environment
- Legal and Governance Environment

PPP Specific Climate
- Legal and Regulatory Provisions for PPP
- PPP Policy Framework
- PPP Capacity
- PPP Process: Project Selection and contracting
- PPP Process: Post Selection
- Social Dimension of PPP Policy
## General Investment Climate (1)

<table>
<thead>
<tr>
<th>Macroeconomic Environment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic growth</strong></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td><strong>Domestic economic stability</strong></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>7</td>
</tr>
<tr>
<td><strong>External balance and stability</strong></td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Business Climate</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Registration and taxation policy</strong></td>
<td></td>
</tr>
<tr>
<td>11  Rational, equitable and predictable taxation policies</td>
<td></td>
</tr>
<tr>
<td>12  Reasonable tax levels for corporations</td>
<td></td>
</tr>
<tr>
<td>13  Possible to register and get permission to start up a new business quickly and easily</td>
<td></td>
</tr>
<tr>
<td><strong>Access to factors of production</strong></td>
<td></td>
</tr>
<tr>
<td>14  Education produces sufficient quantity of sufficiently skilled graduates</td>
<td></td>
</tr>
<tr>
<td>15  Fields of specialized education appropriate for country needs</td>
<td></td>
</tr>
<tr>
<td>16  Physical infrastructure adequate</td>
<td></td>
</tr>
<tr>
<td><strong>Government’s responsiveness to business concerns</strong></td>
<td></td>
</tr>
<tr>
<td>17  Precedents shows government to be responsive to PPP business concerns</td>
<td></td>
</tr>
<tr>
<td>18  Commitment to maintain policy continuity</td>
<td></td>
</tr>
<tr>
<td><strong>Repatriation of profits</strong></td>
<td></td>
</tr>
<tr>
<td>19  Few restrictions on repatriation of profits</td>
<td></td>
</tr>
<tr>
<td>20  Convertibility of foreign exchange</td>
<td></td>
</tr>
</tbody>
</table>
### General Investment Climate (3)

<table>
<thead>
<tr>
<th><strong>Basic development of the financial system</strong></th>
<th><strong>21</strong> Developed banking system services corporate needs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>22</strong> Developed pension and insurance market</td>
</tr>
<tr>
<td></td>
<td><strong>23</strong> Bond market exists and is open to private participation</td>
</tr>
<tr>
<td></td>
<td><strong>24</strong> Developed equity markets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Other important components of a developed financial system</strong></th>
<th><strong>25</strong> Effective financial regulatory regime in place</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>26</strong> Clear and effective provision for bankruptcy and limited shareholder liability</td>
</tr>
<tr>
<td></td>
<td><strong>27</strong> Credit rating agency(s) exist and offer ratings on individual businesses</td>
</tr>
<tr>
<td></td>
<td><strong>28</strong> Financial sector experienced in assessing long-term lending decisions</td>
</tr>
</tbody>
</table>
## General Investment Climate Climate (4)

<table>
<thead>
<tr>
<th>Legal and Governance Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property rights and competence of judiciary</strong></td>
</tr>
<tr>
<td>29 Property rights effectively enforced, and compensation for expropriation is fair</td>
</tr>
<tr>
<td>30 Effective protection for intellectual property, including business models</td>
</tr>
<tr>
<td>31 Judiciary demonstrates competence, independence and efficiency</td>
</tr>
<tr>
<td><strong>Government commitment to transparency</strong></td>
</tr>
<tr>
<td>32 Government procurement is fair and transparent in practice</td>
</tr>
<tr>
<td>33 Effective political commitment to eradicate public sector corruption</td>
</tr>
<tr>
<td>34 Political commitment to public and private financial transparency</td>
</tr>
<tr>
<td>35 Government addressing problems of corrupt corporate practices</td>
</tr>
<tr>
<td><strong>General government openness and transparency</strong></td>
</tr>
<tr>
<td>36 Community and stakeholder participation in government policy making</td>
</tr>
<tr>
<td>37 Press is free, formally and in practice</td>
</tr>
<tr>
<td><strong>Capacity in labor and environmental law</strong></td>
</tr>
<tr>
<td>38 Labour legislation effective in protecting workers’ wages and safety</td>
</tr>
<tr>
<td>39 Environmental protection adequate</td>
</tr>
<tr>
<td>40 Environmental laws are clear and transparent and are all available from a single source</td>
</tr>
</tbody>
</table>
### PPP Specific Climate (1)

#### Legal and Regulatory Provision for PPP

<table>
<thead>
<tr>
<th>Establishment of clear legal basis for PPP process</th>
<th>41</th>
<th>Legal basis for private sector participation in PPP is clearly defined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42</td>
<td>Limited restriction on participation of foreign investors in PPP projects</td>
</tr>
<tr>
<td></td>
<td>43</td>
<td>Judiciary understands and accepts PPP policy framework</td>
</tr>
<tr>
<td>Legal provision for property acquisition</td>
<td>44</td>
<td>Authority and procedures are clear for acquiring rights of way</td>
</tr>
<tr>
<td>Adequacy of structures providing for economic regulation of PPP projects</td>
<td>45</td>
<td>Regulatory authority is clear for all PPP types expected</td>
</tr>
<tr>
<td></td>
<td>46</td>
<td>Price and quality of PPP monopolies regulated to protect consumers and others</td>
</tr>
<tr>
<td></td>
<td>47</td>
<td>Price regulation sufficiently flexible to adjust to major cost changes</td>
</tr>
<tr>
<td>Implementation of economic regulation (including quality and fairness issues)</td>
<td>48</td>
<td>Powers and resources are adequate to regulate PPP</td>
</tr>
<tr>
<td></td>
<td>49</td>
<td>Accounts of PPP projects available to regulators and subject to effective query</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>Regulators demonstrate competence, independence and efficiency</td>
</tr>
</tbody>
</table>
## PPP Specific Climate (2)

<table>
<thead>
<tr>
<th>PPP Policy Framework</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarity of a policy framework and division of responsibilities</td>
<td>51</td>
</tr>
<tr>
<td>52</td>
<td>PPP policy has clearly allocated authority and responsibility within the parts of government</td>
</tr>
<tr>
<td>Ability of the policy framework to generate projects for PPP</td>
<td>53</td>
</tr>
<tr>
<td>54</td>
<td>Distinct process for unsolicited PPP proposals in policy framework</td>
</tr>
<tr>
<td>55</td>
<td>Policy framework generates commercially viable project proposals</td>
</tr>
<tr>
<td>56</td>
<td>Sectoral competition and regulatory regime chosen to limit market power</td>
</tr>
<tr>
<td>Ability of the PPP policy framework to work effectively with broader governmental requirements</td>
<td>57</td>
</tr>
<tr>
<td>58</td>
<td>Criteria for project support by government are clearly defined</td>
</tr>
<tr>
<td>59</td>
<td>Project support requirements are integrated with government budget process</td>
</tr>
<tr>
<td>Responsiveness of the PPP policy framework to broader input</td>
<td>60</td>
</tr>
<tr>
<td>61</td>
<td>PPP policy undergoes evaluation and revision in response to experience</td>
</tr>
<tr>
<td>PPP Capacity</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Political support and institutional structure</td>
<td>62</td>
</tr>
<tr>
<td>PPP process has sufficient political support, due to positive record or political &quot;champion&quot;</td>
<td></td>
</tr>
<tr>
<td>Defined government mechanisms in place to coordinate PPP needs</td>
<td>63</td>
</tr>
<tr>
<td>Technical expertise and related resources available for the various aspects of PPP management</td>
<td>64</td>
</tr>
<tr>
<td>Staff of relevant government agencies have resources/information for managing PPP process</td>
<td></td>
</tr>
<tr>
<td>Staff aware of legal, financial and basic technical issues in PPP projects</td>
<td>65</td>
</tr>
<tr>
<td>Staff capable of routine operations in PPP project development</td>
<td>66</td>
</tr>
<tr>
<td>Technical capacity sufficient to ensure construction and service standards</td>
<td>67</td>
</tr>
<tr>
<td>Staff can assess outside work, including feasibility studies and risk mitigation strategies</td>
<td>68</td>
</tr>
<tr>
<td>Capacity for training</td>
<td>69</td>
</tr>
<tr>
<td>PPP documentation/best practices available in public domain</td>
<td></td>
</tr>
<tr>
<td>Adequate resources/facilities and expertise to train in PPP</td>
<td>70</td>
</tr>
<tr>
<td>Provision for assisting line agencies and local government in undertaking PPP projects</td>
<td>71</td>
</tr>
</tbody>
</table>
## PPP Specific Climate (4)

<table>
<thead>
<tr>
<th>Predictability and transparency of the overall process</th>
<th>72</th>
<th>Predictable staging of project identification, selection and contracting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>73</td>
<td>Transparent procedures specified for all stages of the PPP process</td>
</tr>
<tr>
<td>Proper project assessment procedures before committing to a project</td>
<td>74</td>
<td>Project feasibility studies undertaken for larger proposals</td>
</tr>
<tr>
<td></td>
<td>75</td>
<td>Environmental and social impact assessment required</td>
</tr>
<tr>
<td></td>
<td>76</td>
<td>Customer safety assessment fully incorporated</td>
</tr>
<tr>
<td>Management of the process of bidding by potential project sponsors</td>
<td>77</td>
<td>Bidders given proper information, including requirements for submitting proposals</td>
</tr>
<tr>
<td></td>
<td>78</td>
<td>Verification of business information used in sponsor selection</td>
</tr>
<tr>
<td></td>
<td>79</td>
<td>Conflict of interest results in exclusion from contracting</td>
</tr>
<tr>
<td></td>
<td>80</td>
<td>Competitive tendering process is transparent in practice</td>
</tr>
<tr>
<td></td>
<td>81</td>
<td>Objective criteria for project sponsor selection are known and applied</td>
</tr>
<tr>
<td>Performance monitoring of on-going projects</td>
<td>82</td>
<td>Defined performance requirements available prior to bidding</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>----</td>
<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>83</td>
<td>Performance monitoring effective and transparent</td>
</tr>
<tr>
<td>Management of contingencies which arise during the project implementation</td>
<td>84</td>
<td>Arrangements for risk sharing are sensible and manageable</td>
</tr>
<tr>
<td></td>
<td>85</td>
<td>Contracts for PPP are irrevocable except through due process</td>
</tr>
<tr>
<td></td>
<td>86</td>
<td>Penalties enforced for failure to meet contractual obligations</td>
</tr>
<tr>
<td></td>
<td>87</td>
<td>Conflict resolution process clear, including alternatives to judicial resolution</td>
</tr>
<tr>
<td></td>
<td>88</td>
<td>International arbitration recognized and effective for dispute resolution</td>
</tr>
<tr>
<td>Post-contract regulation applied in practice</td>
<td>89</td>
<td>Technical regulation is appropriate to project requirements</td>
</tr>
<tr>
<td></td>
<td>90</td>
<td>Rulings by technical and economic regulators can be appealed</td>
</tr>
</tbody>
</table>
**PPP Specific Climate (6)**

<table>
<thead>
<tr>
<th>Social Dimension of PPP Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government's ability to promote the PPP concept</strong></td>
</tr>
<tr>
<td>91 Civil society views PPPs as viable means of providing infrastructure and basic services</td>
</tr>
<tr>
<td>92 Programme to educate the public concerning the need for user-pays principle</td>
</tr>
<tr>
<td><strong>Are PPP policies pro-poor?</strong></td>
</tr>
<tr>
<td>93 Planning system addresses the needs of the poor and marginalized</td>
</tr>
<tr>
<td>94 Pricing policies reflect the needs of the poor in basic services</td>
</tr>
<tr>
<td><strong>Specialized finance for projects with pro-poor and/or social priorities</strong></td>
</tr>
<tr>
<td>95 Funds available for projects with added social welfare purpose</td>
</tr>
<tr>
<td>96 Community instruments (such as cooperatives) for equity participation in PPP available</td>
</tr>
<tr>
<td><strong>Is the community taken into in PPP?</strong></td>
</tr>
<tr>
<td>97 Mechanism for undertaking community-based infrastructure projects using PPP</td>
</tr>
<tr>
<td>98 Resettlement and rehabilitation provided for communities disrupted by PPP projects</td>
</tr>
</tbody>
</table>
Average results for each category

- Macroeconomic Environment
- Social Dimension
- Business Climate
- Financial Environment
- Legal Environment
- Legal and Regulatory Provisions
- PPP Process: Post Selection
- PPP Process: Project Selection
- PPP Capacity
- PPP Policy Framework

Legend:
- Government
- Domestic private sector
- International private sector
Constraints Identified by Ministry of Finance in India

- Inadequate advocacy to create greater acceptance of PPPs by stakeholders;
- Weakness in enabling policy and regulatory frameworks;
- Inadequate instruments and capacity to meet the long-term equity and debt financing needs of infrastructure projects;
- Lack of capacity to manage the PPP process over the lifecycle of the project;
- Lack of capacity of the private sector to fully meet the challenge of investing in a very large number of projects;
- Lack of a portfolio of credible and bankable infrastructure projects which could be offered for financing to the private sector.
Addressing Selected Planning and Policy Issues in PPPs

- Policy, legal and regulatory frameworks.
- Government support to PPP projects.
- Processes and procedures for implementing PPPs, including effective management over their life cycle.
- Procurement.
- Capacity building for PPP development.
Thank You

http://www.unescap.org/ttdw/ppp/index.html