Seminar on “Capacity-building for the development and operation of dry ports of international importance”

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Public Private Partnerships in infrastructure development

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Content

What is the presentation about?

- PPP Definition and value added
- Short overview of recent trends
- Government role
- ESCAP support
Definition

**What is a PPP?**

A long-term contract between a private party and a government agency, for providing public services and/or developing public infrastructure, in which the private party bears significant risk and management responsibility.

- **Long term** (relationship beyond construction phase)
- **Contract** based (different types exist)
- Some **transfer of risk** to the private partner

Example:

A 10 years lease contract for dry port development/operation.

[Image of a container yard]
Motives

Why using PPP mechanism?

Involving Private Sector in public transport infrastructure

- Accessing Private Capital
  - Equipments?
- Improving Risk Allocation
  - Attracting customers?
- Realizing Efficiency Gains
  - Innovation (modern inventory techniques…)
  - New source of revenue (consolidation / distribution)

UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific
Dry Ports: suitable for PPPs?

**Alternatives**

**Option 1**
- **“Pure Public”**
  - Public
  - Private

- **Private capital?**
- **Efficiency gains?**
- **Transfer of risk?**

**Option 2**
- **“Pure Private”**
  - Public
  - Private

- **Supporting public infrastructure?**
- **Commercial Viability?**
- **Land acquisition?**
- **Customs services?**
PPP trends in Transport

resources mobilized through PPP in Asia-Pacific

More than $20 billion per year

... for around 50 projects

Road (> 50%)

SOURCE:
ESCAP estimates based on PPIAF Database, PIMAC presentations and Infrastructure Australia website
Geographical Distribution

Where was it used?

PPPs in Transport in Asia-Pacific (2001-2011)

High level of concentration

INDIA 32%
AUSTRALIA 14%
REPUBLIC OF KOREA 26%
CHINA 13%
TURKEY 5%
PAKISTAN PHILIPPINES INDONESIA VIETNAM 1%
RUSSIAN FEDERATION MALAYSIA OTHERS 2%

SOURCE:
ESCAP estimates based on PPIAF Database, PIMAC presentations and Infrastructure Australia website.

UNIVERSAL ACCESS TO NUTRITION, WATER AND SANITATION
Influencing factors

Why such a difference between countries?

- Policy Formulation
- Financial Support
- Legal Framework
- Institutional Capacity
- PPP Environment

Economic and business climate
Why?

“Politics is (and will always be) the main cause of death for transactions” (IFC)

High level politician championing PPP solutions?

Private sector needs clarity before entering a market
- **Clarity** on competent authorities, sector and private partner eligibility...

- **Procurement** rules: fairness and openness of bids / contract changes

- Effective and quick **dispute-resolution** mechanisms (arbitrage, compensation...)
Institutional Capacity

- **Project development process**
  
  *Who is approving what and when?*

- **Expertise on PPP solutions**
  
  *Is there an institution advising government agencies on project suitability for PPP solutions?*

Guidelines
Training programme
Model contracts

≠ Transaction advisors
Financial Support Measures

- Project development facilities (business plan, transaction advisors, …)

- **Tax** and customs benefits (tax exemptions or reduction of income duties)

- Sovereign **guarantees** (minimum demand guarantees or guarantees against change in rules or expropriation, …)

- Viability gap funding (capital **grants**)

To make projects attractive for private investors

Proper accounting of government liabilities
Economic and business climate

- Macro-economic projections
- Financial sector development
- Business climate (tax regime, red-tape, contract enforcement,…)

Impact on business case

Growth
Inflation
Currency

Cargo flow?

Access to finance?
ESCAP activities

Active in supporting Asia-Pacific countries to engage the private sector for infrastructure development for nearly 10 years.

- Convening Decision Makers
  - Expert Group Meetings

- Capacity building / knowledge sharing
  - Training Materials
  - Workshops
  - Key Publications

- Independent Policy Advocacy
  - Readiness diagnostic tool
  - Advisory supports on legal and policy frameworks

Capacity building project on-going in 4 countries
(Bhutan, Cambodia, Lao PDR and Myanmar)
Conclusion

- PPP = significant for infrastructure development
- Suitable model for Dry Port

- PPP are complex
- Legal and regulatory adjustments?
- Not free → government resources

Active role for Government

- Project has to make sense from an economic point of view
- Useful materials are available on ESCAP Website
Thank you

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