Public-Private Partnerships in Myanmar

Support for PPP and Development Partner Cooperation
27 November 2014

UNESCAP Workshop on
Public-Private Partnerships for Infrastructure Development in Myanmar

Asian Development Bank
Myanmar’s national thrust for PPP

• Many ministries and States/Regions already pursuing PPP

• PPP is part of the national development strategy
  – Make best use of limited development monies
  – Capitalize on the interest of the private sector

• Challenges for Government in actually achieving closure and success – the “unknowns”
  – Not knowing what is a “good deal” in the PPP context
  – Not knowing what is “market price” for goods
  – Not knowing what is possible to ask from private sector
  – Not knowing what they will demand from government
Taking control over the PPP development process

Current Process in Myanmar

Numerous bilateral discussions, each with their own terms, specifications and schedules, which may or may not meet Ministry’s needs – and, viewed together, take up huge amounts of staff time.

Result for Government
- Uncertainty on which deals can get done
- Uncertainty on whether or not it is a “good deal”
- Uncertainty on whether or not to commit
- Reliance on investor proposed projects

Result for Private Sector
- Uncertainty if deal can get done
- Uncertainty on Govt support/commitment
- Uncertainty on investment viability and ability to raise debt

Investors propose many different projects, of different types, from different quality parties. Govt cannot compare proposals to see which is best, most cost-effective.
## A chance to evolve the PPP environment

**ADB’s Goal:** to help the Government of Myanmar more optimally drive, own and manage private sector participation in public services through a PPP framework

<table>
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<tr>
<th>Current Situation</th>
<th>Potential Environment</th>
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<tbody>
<tr>
<td>Government responds to private proposals</td>
<td>Government prioritizes development</td>
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<tr>
<td>Private sector defines the project</td>
<td>Government defines projects on offer – based on plan and need</td>
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<tr>
<td>MOU-driven – open to one</td>
<td>Competitive bidding – open to all</td>
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<tr>
<td>Individual Terms from Private Sector Party</td>
<td>Standardized Terms set by Government</td>
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<tr>
<td>Results in Individual Projects</td>
<td>Creates a Portfolio of Projects</td>
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<tr>
<td>Private Sector driven</td>
<td>Government controlled</td>
</tr>
<tr>
<td>Overburdens Staff, Decision-makers</td>
<td>Maximizes efficiency of human resources</td>
</tr>
<tr>
<td>Yields uneconomic outcomes or outcomes difficult to benchmark</td>
<td>Maximizes efficiency of financial resources</td>
</tr>
<tr>
<td>First come-first serve approach to allocating best sites, limited natural resources</td>
<td>Maximizes efficiency of land use and natural resource allocation</td>
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Taking control over the PPP development process

**Proposed Process**

**National PPP Unit**
- Check/Balance: Checks fiscal efficacy of PPP Unit projects

**National PPP Standards**

**PPP Development Fund**

**PPP Unit**
- Dedicated PPP Team: A focused team supports PPP activities, enforces standards, deploys PPP resources
- Standardization: A single, standardized set of terms and specifications, reflecting Ministry’s needs and preferences

**Ministry Region State**
- Selectivity/Screening: Ministry chooses the projects it wants to pursue as a priority and focuses staff effort – and investor interest – on those projects

**Benefits for All**
- **Predictable outcomes**
- **Confidence in projects**
  - The right projects, in the right place, at the right time
- **Efficient processes**
  - Use of Govt time and resources
  - Focus for investors
- **Replicable process**

**Prequalification narrows field to only the most capable, serious bidders**

**Professional Preparation**
- Revolving fund that can support many PPP projects in multiple sectors.
- Provides a focus for Development Agency support
Ministerial Inter-relations: e.g. MOEP IPP project

While MOEP is responsible for power development, there are many government interfaces. How is this all coordinated?
Current Technical Assistance: TA-8624

• “Support for PPP Framework Development”
  – Commenced TA engagement on 14 October 2014
  – Runs to 31 December 2015
  – MOEP and MNPED- PAPRD

• Scope of the Technical Assistance
  – PPP project development principles
  – Prioritization of PPP development projects
  – PPP tendering and evaluation processes
  – PPP contracts and supports
  – Fiscal impacts of PPP projects for public financial management
  – Institutional management at ministry and national level

• The Consultant Team
  – Deloitte, Lahmayer Int’l, Dua Associates, LS Horizon, Myanmar International Consultants
Example of how a sector ministry PPP unit could be composed
This team would work with national level counterparts to implement projects per agreed policies, processes, and rules
PPP Unit Functions

The PPP Unit oversees PPP projects from concept to bid to operations

Structure and Prepare Projects
- Site Layout
- Surveys
- Technical Specifications
- Enviro and Social Assessment
- Cost and tariff estimates

Manage the Bid
- Advertise
- Qualify
- Conference and questions
- Evaluation
- Negotiations

Find the Right Projects
- In line with development plans and priorities
- Appropriate for PPP

Create the Bid Package
- Pre-qualification criteria
- Technical criteria
- Financial criteria
- Contract documents
- RFP and evaluation specs

Assure Performance
- Monitor construction
- Completion acceptance
- Operational efficiency
- Invoice checking
- Penalties / incentives

The PPP Unit oversees PPP projects from concept to bid to operations.
PPP Project Development Fund
Used to select, prepare, competitively bid, and provide professional advice to projects

National PPP Framework
Central Govt Administration
PPP Capacity in line agencies

Institutional Development for IPP
Management MOEP/MNPED
(ADB TA-8624)
$2m TA
Project Prioritization and Institutional Management

Competitive Bid Advisory
Myingyan (IFC)
Apply new framework to an IPP project

Model PPA for use with IPPs

Projects in ADB COBP 2015-2017

4Q 2013
2Q-3Q 2014
3Q 2014-4Q 2015

$40+ million Project Development Facility

2015-2017 (Proposed)

COBP = ADB Country Operations Business Plan
ADB and partners are ready to support Myanmar immediately to strengthen PPP environment

- Myanmar is already pursuing PPPs
  - But progress is uneven and uncertain; support needed

- ADB is already engaged with government on PPP (TA-8624)
  - Support for PPP processes in MOEP on private power generation
  - Consultations with MNPED-PAPRD on national PPP management

- ADB has been asked to continue PPP support in our Ops Plan
  - National PPP framework TA support 2015-2016
  - PPP Capacity Development 2015-2017
  - Project Preparation Facility 2016-2017

- ADB is supporting other critical areas for managing PPP
  - Mandalay Urban Development project 2015
  - Ministry of Finance public debt management office
  - Coordination with MOF budget management team from World Bank
  - Company Law reform TA
  - Sector ministry engagements in power, energy, transport, education

- ADB has helped most ASEAN peers with PPP frameworks
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Government implementation challenges

- The President has called for across-the-board development of sectors that have severely lagged in past decades
- Government is seeking to mobilize both donors and the private sector to help, however there are some challenges…

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<tr>
<th>Issue</th>
<th>Challenge</th>
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<tr>
<td>Lack of Plans</td>
<td>Sector and resource planning lags Cross-sectoral lack of coordination</td>
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<tr>
<td>Lack of Frameworks</td>
<td>Only partial means for mobilizing private sector investment; very few on a true competitive tender basis (telecom, Myingyan)</td>
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<tr>
<td>Lack of Technical Capacity</td>
<td>Reliance on private sector to undertake studies and propose commercial terms Difficulty to judge fair terms of contracts, assessing value, determining price and performance Challenges in ability to manage process</td>
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Nowhere are these problems more acute than in the electric power sector. Thus the Ministry of Electric Power has been selected as first point of intervention
Bottom-up Approach to National PPP Management

ADB’s approach reflects the fact that Government is already pursuing PPPs. Thus we are working to improve the current situation and make the future more sustainable.
What are the benefits of standardizing this process?

Promote a Prioritized Development Plan

PPP Competitive Bidding Framework

PPP Unit managing process

= A Project Development “Factory”

Allows Government to say to investors:
- This is the project we want to do
- This is where we need it
- This is when we want it
- This is how it should operate/perform
- These are the terms and conditions

Demonstrates to investors:
- Part of an overall plan
- Process is consistent, predictable
- Terms are standardized
- Govt runs process, not process running Govt
PPP projects are being pursued in a confluence of needs

Financial Management
- Liabilities: actual and contingent
- Capital Budgeting
- Subsidies
- Foreign Exchange
- Guarantees

Tendering
- Competitive bidding standards
- Unsolicited proposals
- Contracts

Sector Operations
- Design standards
- Regulations, oversight
- Operations protocol
- Maintenance and quality requirements

Legal
- Company Law
- Investment Law
- Contract Law
- Regulation, Rules

Environmental
- Standards
- Compliance

Social
- Standards
- Compensation
- Rehabilitation
- Development

Land
- Rights
- Policies
- Use planning

Planning/Approvals
- National and sector development plans
- Decision processes
- Efficiency, economy criteria
- Controls, guidance

Resources
- National interests, prioritization, allocation
- Economy and efficiency
- Competing needs
- Scarcity

Public Financial Mgt

Procurement

Resource Allocation

PPP Project

Safeguards

Planning & Approvals

Enviro

Social

Land

Legal
What is being done for MOEP?

- **Processes and documentation**
  - PPP project criteria
  - Bidding framework
  - Specifications
  - Contract documents

- **Prioritization of PPP development projects**
  - Develop priorities
  - Apply criteria
  - Prepare project briefs

- **Financial assessment and data capture**
  - Projected subsidies
  - Projected liabilities

- **Ministry Team Structure and Operational Design**

- **Policies, strategy for PPP management**
What is being done for MNPED?

- Project identification and screening criteria
- Learning from MOEP experience on requirements for organizing a national PPP program
- Draft structure, functions and processes of national PPP program
- Capture financial and technical planning data and requirements for PPP projects
- Subsidies, budget requirements, contingent liabilities
ADB supports sustainable PPPs around the region

ADB has been supporting development of PPP frameworks, institutions, and support funds across our member countries

- Working with 6 other ASEAN countries on national PPP frameworks
- Organized $100s of millions of Project Development Funding
- Dedicated ADB PPP professionals to assist and advise Government

### ADB Assistance to Member Countries on PPP

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<tr>
<th>Country</th>
<th>Framework / Policy</th>
<th>Project Devel Fund</th>
<th>Risk Management</th>
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- ✔ = Advanced Stage
- ☐ = Currently Developing

*ADB*
Select the best projects:
- Serve near-term demand
- Appropriate scale and efficiency
- Brings greatest economic benefit
- Improves public service performance

Prepare projects for offer:
- Provide insight to the investment opportunity
- Get investors and lenders excited, anticipating the deal
- Helps identify issues in need of early address

Structure the offer:
- Set full performance specifications
- Detailed site layout and study, incl EIA, SIA, geotechnical study
- Model the deal, set expectations for bids
- Refine contracts and RFP criteria, finalize docs

Run the tender:
- Apply international competitive bidding process to the prepared project
- Follow the steps
- Support tender and evaluation with experts
- Award the bid