



Hanoi, 3 October 2017

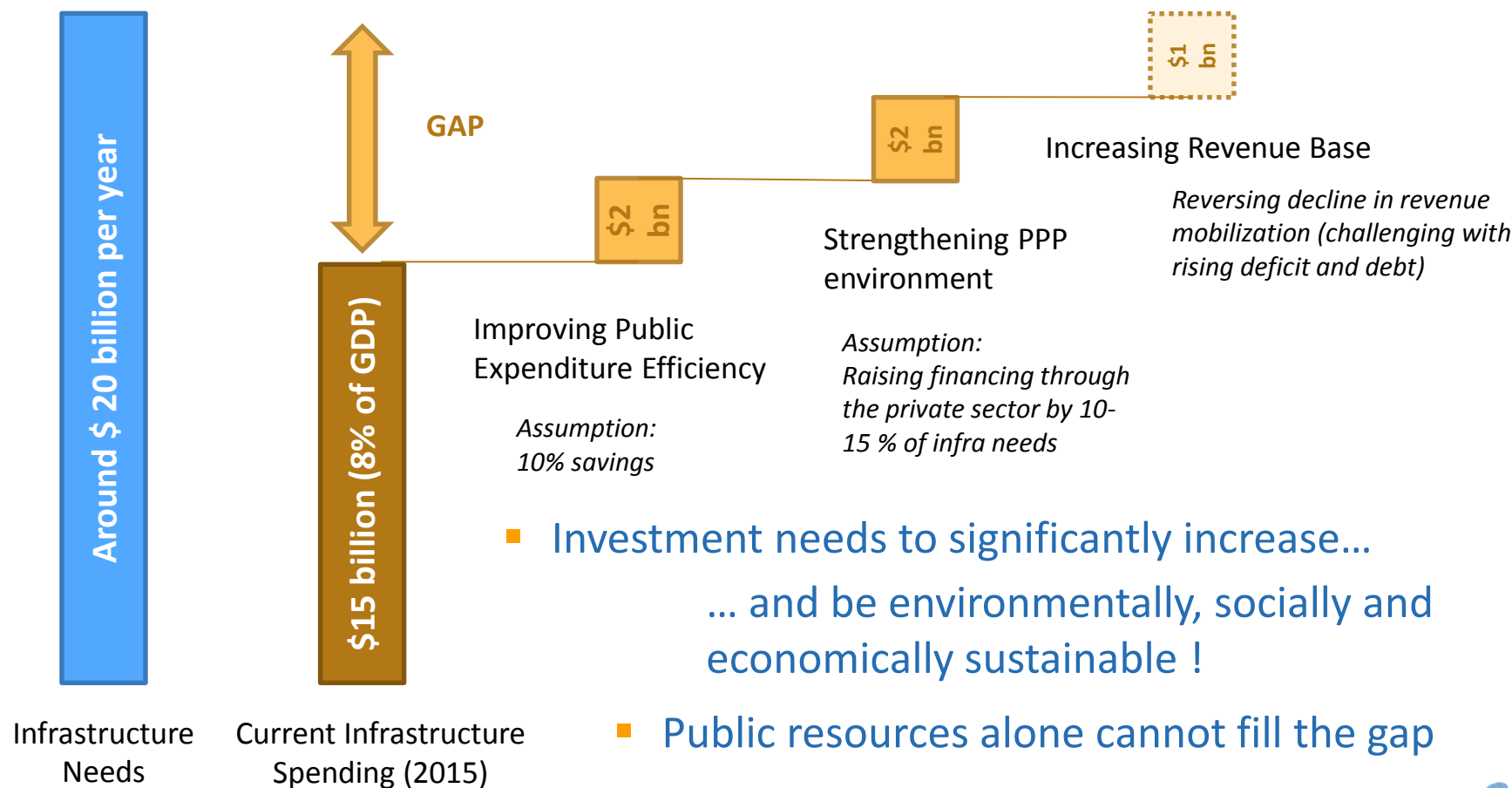
The path to successful PPP projects

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Infrastructure Challenges



➤ **Private and PPP**



PPP Definition

Long term (relationship beyond construction phase)

Contract based

*"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, and remuneration is linked to performance "*

Privatization

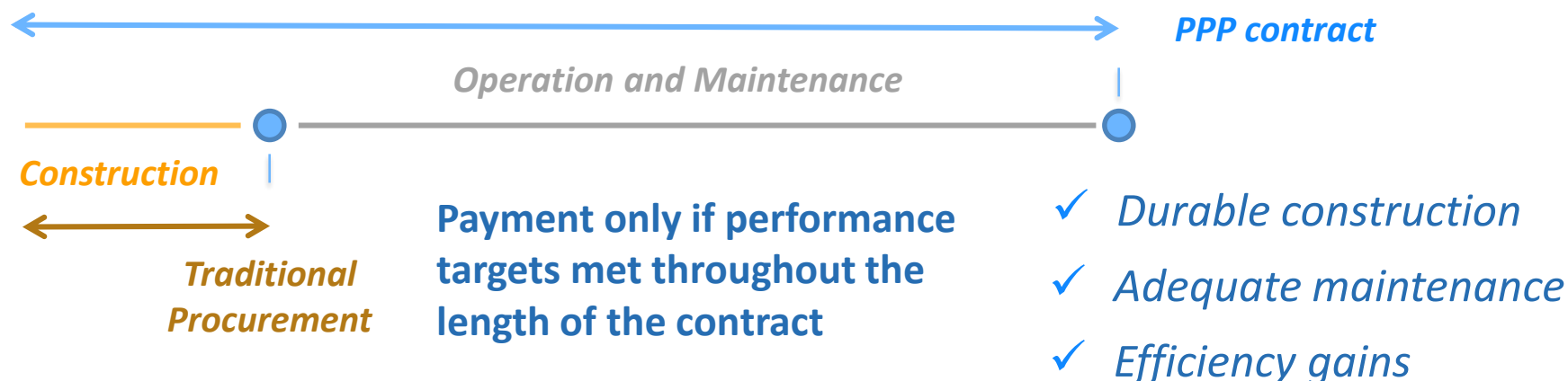
Source: PPP Reference Guide 2.0

- ✓ Mobilizing resources
- ✓ Achieving a long-term solutions
- ✓ Transferring risks to the private sector



Other PPP Benefits

- **Long-term solution:** quality infrastructure for > 20+ years



- **Risk transfer:** If the project costs more than planned → private sector covers the difference

86 % of public infrastructure projects are above budget

Source: Flyvpjerg et al. / data: 258 Infra Projects over 1910-2000 (Europe / USA / Japan)



PPP Limitations

- **Not free:** users and/or tax payers have typically to pay for the project to be delivered profitably
- **Public guarantees = contingent liabilities:** fiscal risk has to be properly assessed and monitored
- **Complex arrangement:** high transaction costs / internal capacity constraints / not suitable for all projects (limited flexibility)
- **Private sector capacity** to take such long-term commitments / enough competition?
- **Possible public resistance**

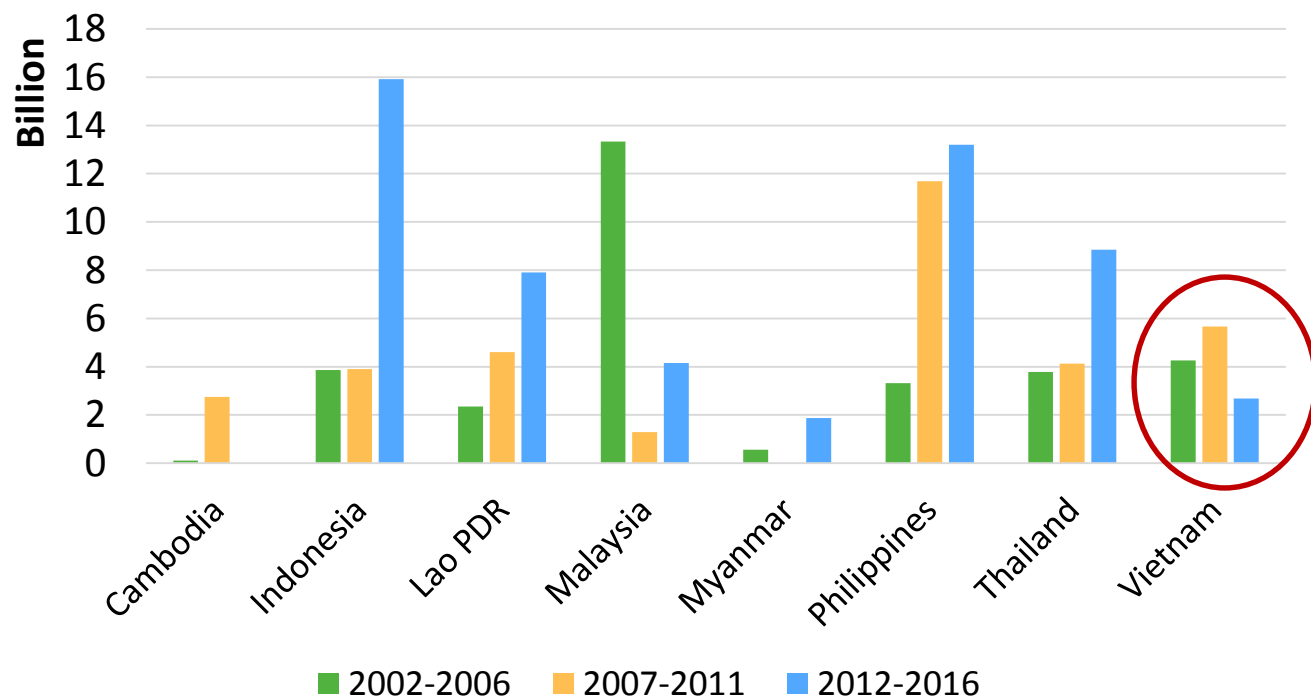


PPP Track record in South-East Asia

Country Breakdown

- Indonesia / the Philippines = largest market recently

... Viet Nam lagging behind / around \$2.4 billion over 4 years



Private Investment
(2012-16) as % of GDP

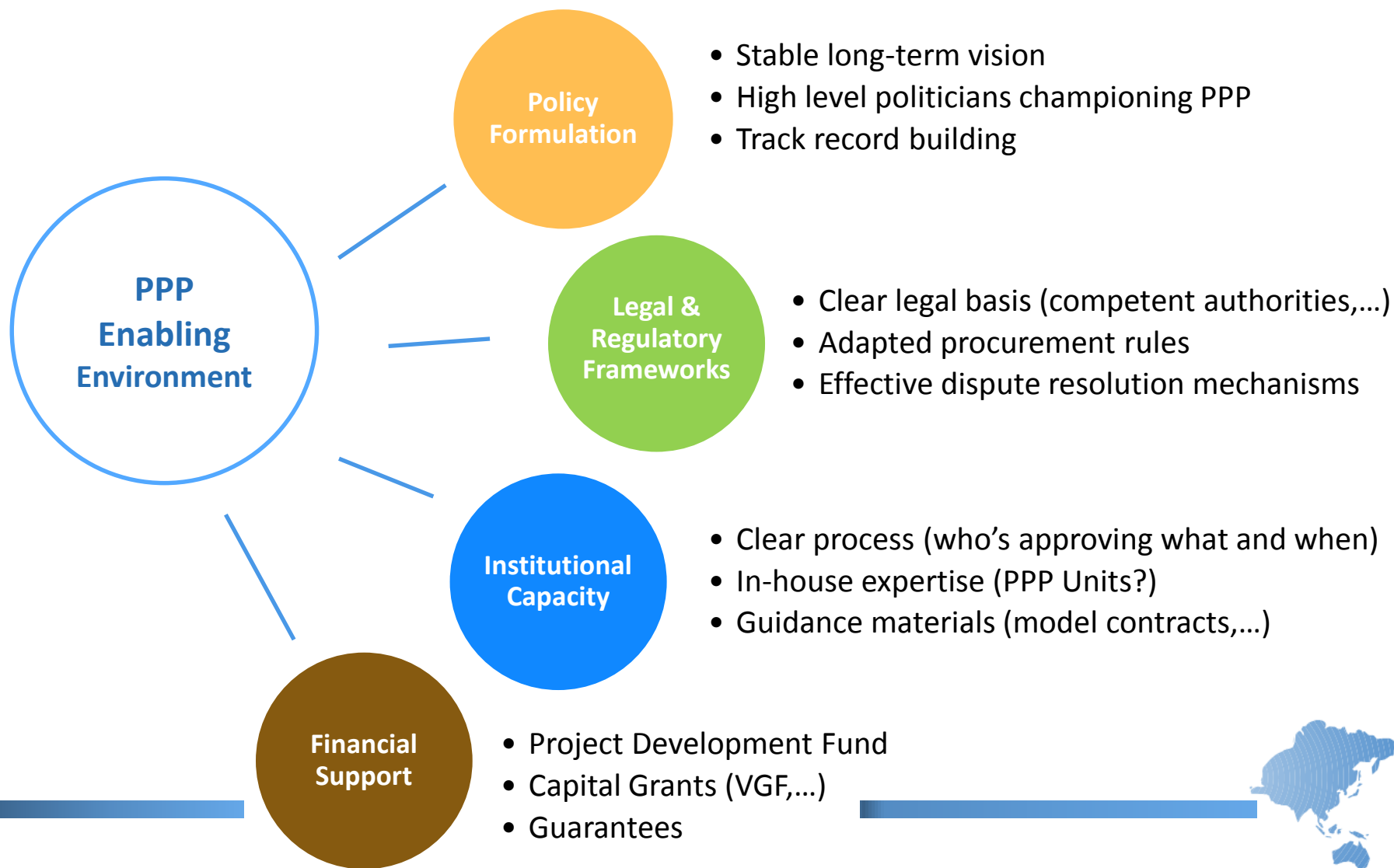
Cambodia	0.0%
Indonesia	1.8%
Lao PDR	59.6%
Malaysia	1.2%
Myanmar	2.9%
Philippines	4.6%
Thailand	2.2%
Vietnam	1.4%

Source: World Bank PPI Database



Governments have a role to play...

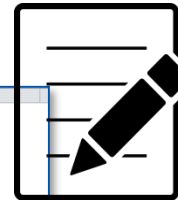
... to create an enabling environment for PPPs



PPP Enabling Environment Planning Actions

■ ESCAP “PPP Readiness” assessment

	A	B	C	D	E	F	G			
1	Legal and Regulatory Provision for PPP									
2	Please add your scores into the green fields (4= very good; 3=good; 2=moderate; 1=fair; 0=poor)			Average assessment by:						
3				Government	Domestic private sector	International private sector				
4	Establishment of clear legal basis for PPP process	41	Legal basis for private sector participation in PPP is clearly defined	<add number>	<add number>	<add number>				
5		42	Limited restriction on participation of foreign investors in PPP projects							
6	Legal provision for property acquisition	43	Judiciary understands and accepts PPP policy framework	Scaling Guidelines Very good (4): Judiciary has demonstrated acceptance and understanding of PPP policy framework. Good (3): Judiciary accepts PPP framework, but lack of experience or understanding may interfere with judicial implementation. Moderate (2): Acceptance of PPP framework in the courts is expected, but only based on precedents in related law. Fair (1): The judiciary has undermined PPP policy, or is expected to be hostile based on precedent. Poor (0): The judiciary is hostile to PPP policy. Rationale: The judiciary may not behave predictably toward PPP projects if the framework does not have clear legitimacy, accepted by the courts. Furthermore, practical understanding of the process and its rationale will improve the predictability and fairness of dispute resolution.						
7		44	Authority and procedures are clear for acquiring rights of way							
8	Adequacy of structures providing for economic regulation of PPP projects	45	Regulatory authority is clear for all PPP types expected							
9		46	Price and quality of PPP monopolies regulated to protect consumers and others							
10	Implementation of economic regulation (including quality and fairness issues)	47	Price regulation sufficiently flexible to adjust to major cost changes							
11		48	Powers and resources are adequate to regulate PPP							
12		49	Accounts of PPP projects available to regulators and subject to effective query							
13		50	Regulators demonstrate competence, independence and efficiency							
14	Regulatory Environment, total:			0	0	0				
15				Maximum score for this category: 40						
16	Cell C6 commented by UNESCAP									



Questionnaire to identify key bottlenecks...

• Legal and Regulatory Provision for PPPs

• PPP Policy Framework

• PPP Capacity

• PPP Process: Selection and Contracting

• PPP Process: Post Selection

• Social Dimension of PPPs

... and to plan government actions

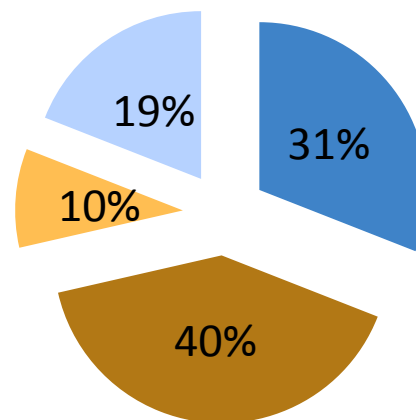


PPP Legal & Regulatory Frameworks

- Objectives, Scope and Models of PPPs
- Institutional Responsibilities (Approval, ...)
- Financial Support Mechanisms
- Procedures (Procurement, Dispute Resolution, etc.)

*Most countries have enacted **PPP Law** in the Asia-Pacific region ...*

*... but some countries have simply issued **guidelines / policy** documents*



- PPP Guidelines
- PPP Law
- Concession Law
- No PPP Law / Guidelines

Source: ESCAP's review of 42 Asia-Pacific countries



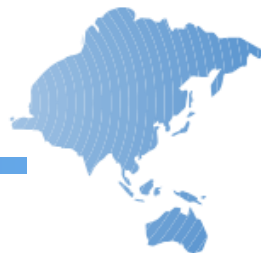
PPP Legal & Regulatory Frameworks

PPP Decree in Viet Nam (2015)

- Consolidate previous decrees (largely unimplemented)
- Dedicate specifically to the identification, preparation, and implementation of PPP projects (clarify roles and process) + establish Project Development Facility
- Introduce new PPP Models (e.g. availability payment based contract) and provide a framework for unsolicited proposals (no detailed guidelines though)
- Increase flexibility for the Lender's step-in rights, government support (no cap) and use of foreign governing law / foreign arbitration

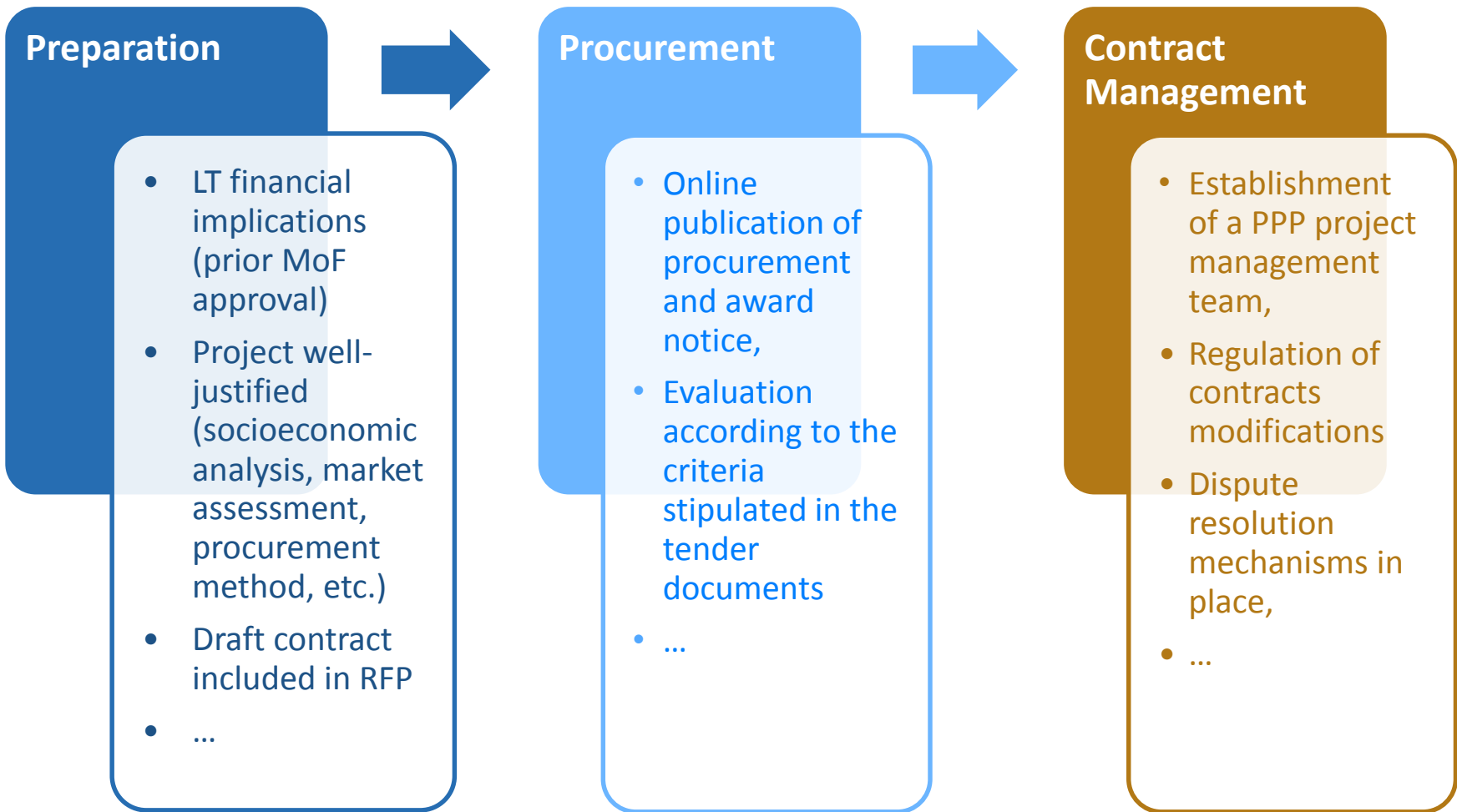
but...

- Foreign currency convertibility has to be negotiated on a case-by-case basis
- No provisions for Government guarantees (e.g. minimum revenues)
- Source of funds for VGF has to be identified



PPP Procurement

Good Practices - Principles



PPP Procurement

Practices in South-East Asia

Viet Nam is performing quite well in terms of PPP Procedures

Country	Preparation (score)	Procurement (score)	Management
Cambodia	8	20	69
Indonesia	50	70	61
Malaysia	46	43	24
Myanmar	2	40	25
The Philippines	96	85	84
Singapore	58	75	64
Thailand	54	63	57
Vietnam	75	85	58
Timor-Leste	33	70	43

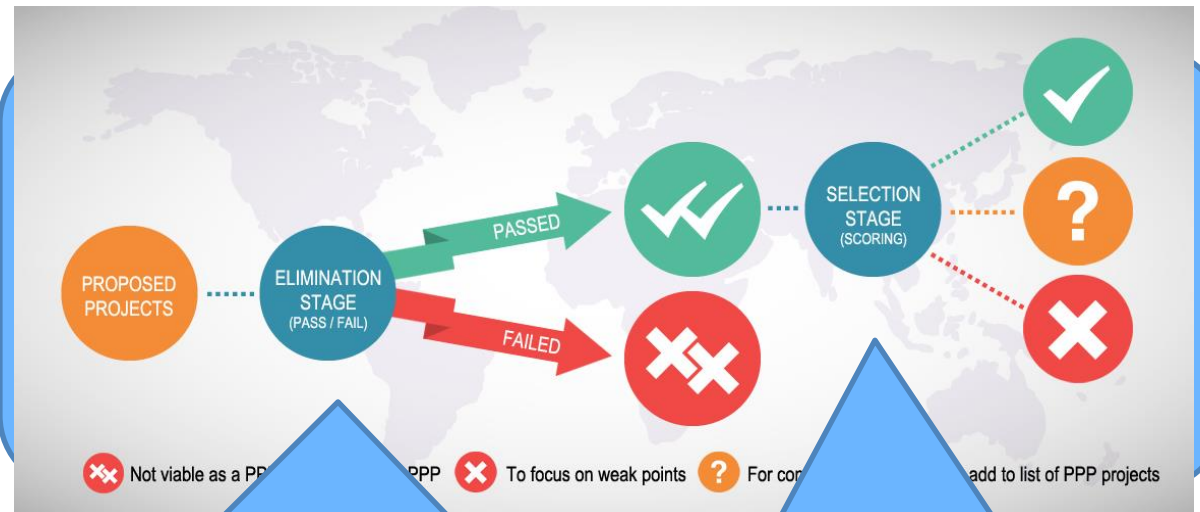
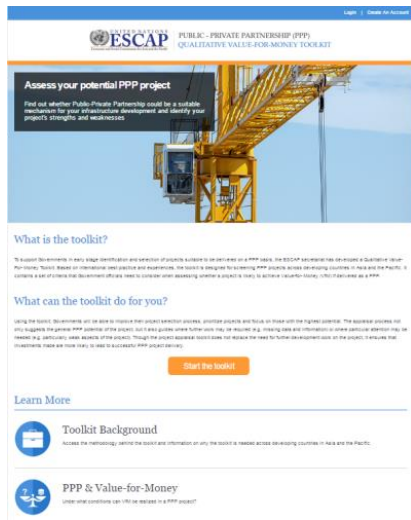
Source: World Bank – Benchmarking of PPP Procurement 2017



PPP Project Screening

Pipeline of 108 PPP projects (\$16.6 billion)

ESCAP Value-for-Money Toolkit: <https://ppp.unescap.org/>

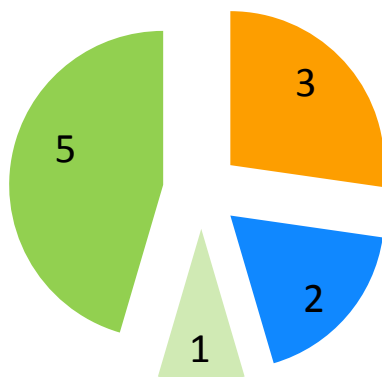


- Project within mandate of government
- Eligible within PPP policy/law/framework
- Identified via relevant procedures
- Consistent with relevant development
- Sector readiness
- Private sector readiness and interest
- Government agency readiness
- Project feasibility and readiness
- PPP specific criteria

Institutional Arrangements

South-East Asia

- No formal PPP Unit
- PPP Unit under development
- Several central PPP Units
- PPP Unit



Among 42 Asia-Pacific countries reviewed:

- 20 Central PPP Units
- 3 countries with multiple central entities responsible for PPP
- 6 PPP Units under development
- 13 countries with no central unit

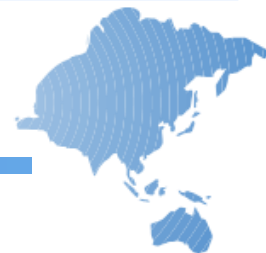
Differences in terms of :

- **Size** (Nb. of staff)
- **Location:** Finance, Planning, etc. + at subnational level , sector level
- **Role:** Policy Formulation, Standardization, Coordination, Capacity Building, Promotion and Technical Support



Institutional Arrangements South-East Asia

Country	Institutional Framework	Ministry	Location
Brunei Darussalam	No formal PPP Unit	N/A	N/A
Cambodia	PPP Unit under development	Finance	Ministry of Economy and Finance
Indonesia	Several central PPP Units		
Lao PDR	PPP Unit under development	Planning	MPI
Malaysia	PPP Unit	Prime Minister	Prime Minister's Department
Myanmar	No formal PPP Unit	N/A	N/A
The Philippines	PPP Unit	Planning	PPP Center under NEDA
Singapore	No formal PPP Unit	N/A	N/A
Thailand	PPP Unit	Finance	SEPO under Ministry of Finance
Vietnam	PPP Unit	Planning	PPP Office under MPI
Timor-Leste	PPP Unit	Finance	Ministry of Finance



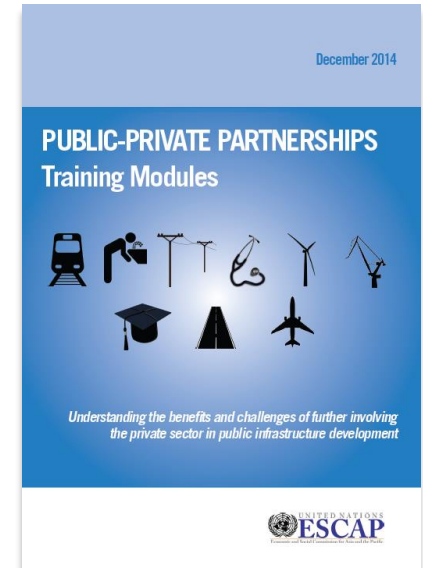
Institutional Arrangements

PPP Unit Function in Viet Nam

Policy Formulation	Developing PPP policy and strategy	Yes
	Advising PPP law and regulation	Planned in the future
	Developing PPP guidelines (project selection, tendering, etc.)	Yes
Standardization	Developing standardized bidding documents	Yes
	Developing PPP model contracts	Yes
Coordination	Acting as the contact point between the investors and agencies/ministries involved in a project (e.g. helping to secure permits and approvals)	Planned in the future
Capacity Building	Organizing training courses/workshops	Yes
	Conducting research on PPP-related matters	Yes
Promotion / Dissemination	Disseminating a pipeline project	Planned in the future
	Collecting PPP data and managing a project database	Yes
	Issuing requests for proposals with procurement documents	Yes
Technical Support	Assisting line ministries in identifying project suitable for PPPs	Yes
	Conducting prefeasibility/feasibility study	Yes
	Performing Value-for-Money assessment	Planned in the future
	Managing a project preparation facility	Planned in the future
	Participating in the procurement process of PPP projects	Planned in the future
	Conducting negotiations on the terms of agreements for PPP contracts	Planned in the future
	Supporting line ministries during the contract management phase	Planned in the future
Quality Control	Acting as the secretariat of the body approving PPP projects	Planned in the future
	Providing recommendations regarding the approval of PPP projects	Yes
	Monitoring implementation of PPP projects approved	Yes

Capacity building... ... a major constraint

- ESCAP: Free PPP Online Course (6 Modules)



Including a certification programme
Accessed 70,000 times!

- Classroom Training on PPPs (national workshop)



PPP Financial Support Mechanisms

- **Project Preparation Facility** for transaction advisors, prefeasibility and feasibility studies

Viet Nam: PPP Support Project Facility (a \$33.9m co-finance by ADB and AFD)

Transaction cost for the public sector is about 2-3% of the project value in Europe

(Dudkin & Väilä, 2005).

- **Viability Gap Funding (VGF)**

Users fees might not suffice to cover investment costs

Viet Nam: Source of funds to be identified

Project Costs



**SUBSIDIES
NEEDED !**

User fees

- **Guarantees**

Demand for service might be difficult to predict

In Australia, a study in 2010 found 5 out of 14 Australian tolled roads were 45% below forecasts

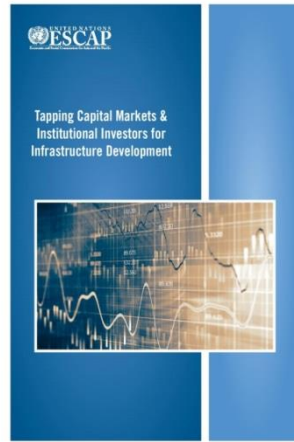
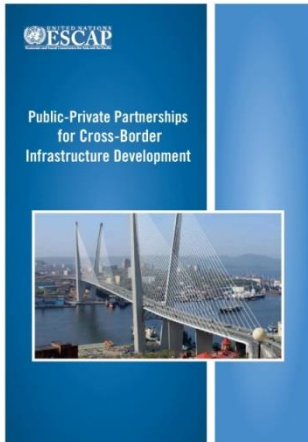
Viet Nam: No provision for guarantee to cover demand risks

- **Long-term financing**

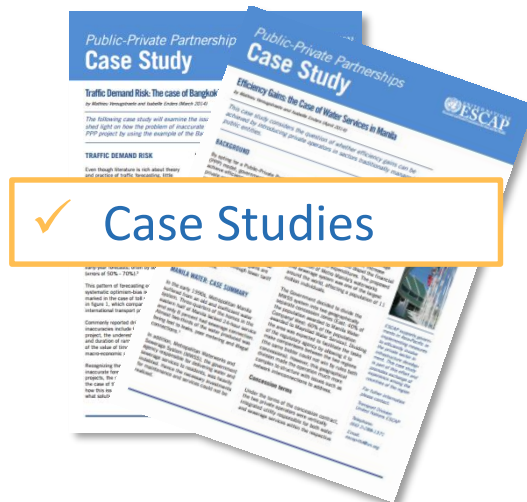
Limited capacity of local banks (maturity mismatch) and small corporate bond market



Research Material



On-going research on PPP for sustainable development



International Collaboration

- ESCAP is an active partner in the PPP Knowledge lab together with 11 international organizations



- ESCAP contributed to the 3rd edition of the Reference Guide just published

- Experts contributing to the activities organized by the different partners
- Joint research with the Korean Development Institute (KDI)



Experience sharing PPP Network

- Promote exchange of information / best practices among the countries of the region

PPP Ministerial Conferences
(Seoul 2007 – Jakarta 2010 – Tehran 2012)



Sub-regional and national workshops

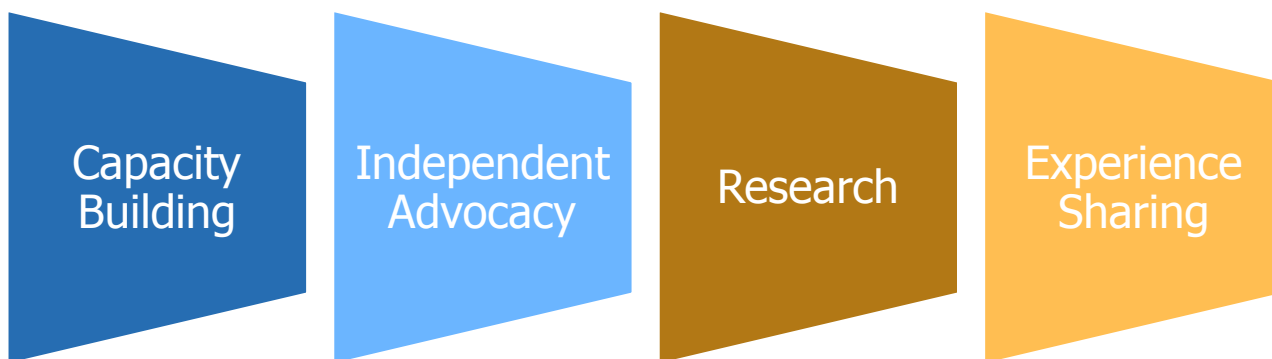


Financing for Development,
(Yearly regional consultation since 2014)



Conclusion

- Why is PPP not developing faster in the country?
- What have been the main **issues** with PPP projects implemented so far and what can be done about that?
- What are the key **actions** government should take to facilitate the emergence of PPPs?
- ESCAP will continue to support its member countries through:





Th@nk you

website: <http://www.unescap.org/our-work/macroeconomic-policy-financing-development/infrastructure-financing-and-public-private-partnerships>

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PPP Legal & Regulatory Frameworks

South-East Asia

#	Country	Regulatory Framework	Remark	Date
1	Brunei Darussalam	PPP guidelines		2015
2	Cambodia	Concession Law	Under revision	2007
3	Indonesia	PPP Law	BAPPENAS Regulation No. 4 of 2015 set out procedural guidelines for PPPs	2015
4	Lao PDR	No PPP Law / Guidelines	PPP Decree under development	N/A
5	Malaysia	PPP guidelines		2009
6	Myanmar	No PPP Law / Guidelines		N/A
7	The Philippines	PPP Law	BOT Law	1994
8	Singapore	PPP guidelines	PPP Handbook sets policies and guidelines	2012
9	Thailand	PPP Law		2013
10	Vietnam	PPP Decree		2015
11	Timor-Leste	PPP Law	PPP Decree	2012

