Public Private Partnership (PPP) in Thailand
**Agenda**

PPP in Thailand

- History & Legal Framework for PPP in Thailand
  - Key Roles of PPP Committee
  - Key Roles of PPP Unit (SEPO)
- Overall of PPP Procedure in Thailand under PISU Act
- Private Investment in State Undertaking Promotion Fund
- The Procedure Improvement : Lifting the threshold to 5,000 MM Baht
- PPP Lesson learned in Thailand
Regarding to PISU Act defines Public Private Partnership as “Public sector's investment with the private sector in any form or allowing private sector investment by issuing permit, granting of concession or of any form of right.”
The Existing PPP Projects in Thailand
- 44 projects by 16 agencies

- Transportation/Logistics: Toll roads, mass transit trains, ports, depots and cargos
- Utilities: Power plants (VSPP), pipelines and public water.
- Telecommunication: Fixed line, mobile, and TV networks
- Property Development; Convention center, hotel, and department stores
History & Legal Framework for PPP in Thailand

The Previous Law

Private Participation in State Undertaking Act 1992 (PPSU Act)

Key Principles
• Public Interest Protection
• Anti-corruption

The New Law

Private Investment in State Undertaking Act 2013 (PISU Act)

Additional Key Principles
• Promoted the PPP Investment

STANDARDIZATION
• PPP Master Plan (5 years) ✓
• PPP Committee (chaired by PM) and PPP Unit (SEPO) ✓
• Value for Money Concept ✓
• Standard Contracts (in process)
• Guideline for Small Projects ✓
• PPP Project Database ✓

FACILITATION
• Streamlined procedure ✓
• Precise timeframe for project consideration and bidding processes ✓
• Project Development Fund ✓

TRANSPARENCY
• Pool of Experts for Selection and Monitoring Committees ✓
• Prohibitions for Related person to serve private counterparties ✓
• Disqualification Criteria for Advisors and Bidders ✓
Key Roles of PPP Committee

PPP Policy Committee ≤ 19 members

Prime Minister
Vice-Chairman
Minister of Finance
Vice-Chairman

PPP Committee’s Key Roles and Responsibilities:
1) Prepare a PPP Strategic Plan for the Cabinets’ Approval
2) Approve a PPP project in principle
3) Set monetary or fiscal measures or approaches for supporting PPP
4) Approve non-bidding process for a PPP project
5) Set procedures for project with value less than 1,000 million baht
6) Resolve any dispute according to the PISU Act

Permanent Secretary of MOF
Secretary-General of Council of state
Secretary-General of NESDB
Director-Bureau of the Budget
Comptroller General
Director-General of PDMO
Attorney General

Member
Member
Member
Member
Member
Member
Member

≤ 7 Qualified Expertise
≤ 2 Officials of SEPO
≤ 2 Officials of SEPO

Member
Member & Secretary
Assistant Secretaries
Key Roles of PPP Unit (SEPO)

The key role of State Enterprise Policy Office (SEPO):
- Act as the central PPP Unit
- Secretariat to the PPP Committee
- In charge of multi-agency coordination

PPP Unit Roles and Responsibility

1) Draft PPP Strategic Plan to the PPP Committee
2) Analyze projects and submit opinions to the PPP Committee for approval
3) Draft monetary or fiscal measures or approaches for supporting PPP to the PPP Committee
4) Submit opinions on a non-bidding process for a PPP project to the PPP Committee
5) Draft rules and procedures for private investment under PISU Act
6) Set guidelines and approaches relating to the implementation of this PISU Act
7) Report problems arising from the implementation of this Act to the PPP Committee
The main purpose of PPP Master Plan:
“determined the direction for sectors and types of investment commercial and social in which private participation within 5 years (2015-2019 (2558-2562 B.E))”

The 3 main compositions of the PPP Master plan:
1. Constitution (Directive Principles)
2. National Economic & Social Development Plan
3. Ministerial Policies

Three main benefits of the PPP Master plan:
1. Projects within the PPP Master Plan will receive support and close monitoring from the public sector
2. Create clarification for both private and public sector
   2.1 Subsectors that require private sector investment (Opt-out)
   2.2 Subsectors that the government encourages participation and investment from private sector (Opt-in)
3. Generate interest and attract private investment in subsectors that require private sector investment.
PPP Strategic Plan 2015 - 2019 (2558 – 2562 B.E.)

Main Purpose: “being the gov’t direction for types of public investments which private participation during 5 years (2015-2019)”

**Type of subsectors**

**Group 1** 
Require private sector investment (Opt-out)
1. Urban Mass Transit System
2. Toll Roads in Urban Areas
3. Logistics Ports
4. High Speed Rail System
5. Telecommunication Network
6. Broadband Internet

**Group 2** 
Encourages participation and investment from private sector (Opt-in)
1. Intercity Toll Roads
2. Logistics Depots
3. Common Ticketing System
4. Airport Services
5. Water Treatment Management
6. Irrigation System
7. Waste Management
8. Education Infrastructure
9. Hospitals and Public Healthcare Services
10. Medical Supplies and Equipment
11. Science and Technology Infrastructure
12. Infrastructure related to Digital Economy
13. Convention Centers
14. Accommodations for handicap, elderly, and poor people

**Estimated Investment Cost**

- Approximately 1.41 Trillion Baht
- 29 projects, 1.37 Trillion Baht
- 19 projects, 72.2 Billion Baht
- 67.8 Billion Baht
- 11 projects, 61.4 Billion Baht
- 2.7 Billion Baht

**Connectivity and dependency among Subsectors**

- Between projects within the same subsector
- Between projects within subsectors under the same higher level sectors
- Between projects within subsectors under different higher level sectors

**Project Pipeline (66 Projects)**

- Water Treatment and Irrigation System (3.90%)
- Education, Public Health and Science, Technology and Innovation (4.58%)
- Telecommunication (4.28%)
- Transportation (874.07%)
- Urban Rail Transit System, 44.22%
- Intercity Toll Roads
- Logistics Depots
- Common Ticketing System
- Toll Roads in Urban Areas
- High Speed Rail
- Logistics Ports
- Convention Center
- Accommodations for handicap, elderly, and poor people

**As of 24 Sep, 2015**
Overall of PPP Procedure in Thailand under PISU Act

- **PPP Project**
  - **Value Calculation**
  - **≥ 1,000 Million Baht**
    - PPP Project Proposal Approved by PPP Committee
    - Selection Result and Draft of PPP Contract Approved by Cabinets
    - Selection Committees
    - Monitoring Committees
    - Contractual Amendment If signification – Approved by Cabinets
    - Pool of experts
  - **< 1,000 Million Baht**
    - Exiting rules and regulations
    - No regulations
    - Proceeded under the exiting rules and regulations
    - Approved by Line Minister
    - Pool of experts
The procedures for calculating the value of projects

Value of project:
include both of tangible and intangible assets

Source of Funds
- Public
- Private

Resources/Capitals /Properties
- Initial Capital Investment
- Future Capital Expenditure
- Land/Properties
- Machines/Equipments
- License/Right
- Any other assets for the project’s operation

Estimated Investment cost (Both of Public and private)

Public Existing Properties

State Enterprise Policy Office, Ministry of Finance, Thailand
The Project Proposal procedure

1. Prepare a project appraisal report (FS)

2. Hire the consultant prepare an independent project appraisal report (FS)

Submit reports to Responsible Minister

Consideration and Approval by Responsible Ministry within 60 days

Project agency submit reports to SEPO

Approval by PPP Committee

Consideration by PPP Committee

SEPO consider within 60 days

SEPO revises & request additional relevant documents within 30 days

Cabinet approve the project and budget

Project Implementation following PISU Act

Nesdb give opinion

Relevant agency give opinion

Bureau of the Budget give opinion

The expenditure by state budget/agency budget/loans

The expenditure by state budget
The procedures for selecting private entity

PPP committee is a key role of the Non-Bidding procedure.

**Non-Bidding**

PPP Committee agreed on the selection by Non-bidding

- Project Agency need to:
  1. Announced the short-list of private entity
  2. Give an invitation to the private entity
- Selling RFP to private selected
- Received RFP within the limited days

Selection Committee is a key role of the Bidding procedure.

**Bidding**

- Project agency issued an invitation to tender
- Selling RFP to private entity selected
- Received RFP within the limited days
- List of private entity
- Selection Committee select the private entity
- Project agency negotiated with the private selected
- Return the bid bonds to the disqualified private entity

In case, the short list of private entity is required.

- Selection Committee agree on the short list.
- Project agency announced the invitation to tender
- Received the qualification of private entity (Short-List)
- Selection Committee consider the qualification of private entity
- Project agency announced and give the invitation letter to the private entity (Short-List)
- Selling RFP to private entity (Short-List)
- Received RFP within the limited days

≥ 60 days

≥ 45 days

≥ 30 days
Selection Committee (Section 35, PISU Act)

Chairman

Representative of the Project Agency

Representative of the Bureau of the Budget
Member

Representative of the Attorney-General
Member

Representative of the SEPO
Member

≤ 4 Qualified persons
Member

Representative of the project agency
Member & Secretary

Selection Committees

Pool of experts

Power & Duties

Consider

- The draft of invitation to tender
- The draft of TOR
- The draft of investment contract

Set the bid bond and performance bond

Negotiate & Select the private entity

Require the project agency submit relevant information and documents

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The procedures for monitoring

1. Signing the investment contract
2. Monitoring committee appointed by Responsible Committee
3. Monitoring Committee
   - Monitoring & supervising the project
   - Conducting operation results, problems and planning for resolution
4. Responsible Minister
   - At least once every 6 months

Monitoring Committee (Section 43, PISU Act)

- Representative of the Responsible Ministry (Higher level executive officer)
- Chairman
- Representative of the SEPO
- Representative of the Attorney-General
- Representative of the project agency
- ≤ 4 Qualified persons

Monitoring Committee’s powers & duties
1. Monitoring & supervising the project
2. Conducting operation results, problems and planning for resolution
Private Investment in State Undertaking Promotion Fund

Objectives
- Supporting preparation of PPP Strategic Plan
- Supporting project agencies for hiring advisors for assist project agencies along PPP processes

Information survey & preparation of PPP Strategic Plan

Hiring of advisors for Project feasibility/Bidding assessment

Fund operating expenses

Income
- Government subsidy or annual appropriations
- Fees from documents and assessment of proposals
- Signature/Success Fee
- Other sources

Expenditure
- PISU Fund

The Procedure Improvement: Lifting the threshold to 5,000 MM Baht

Project

5,000 M. Baht
Ministerial Regulation
Approved in principle by the Cabinet

≥ 5,000 M. Baht
Procedure of PISU Act

1,000 - < 5,000 M. Baht
Screening projects (Focus on infrastructure & public service projects & VfM)

< 1,000 M. Baht
Procedure for projects below 1,000 M. Baht
PPP Lesson learned in Thailand: The 2nd Stage Expressway System Project (Si Rat Expressway)

Background
- March 1985, Cabinet approved the project in principle
- Government promoted private participation & investment, the first flagship project

Objective
- Connectivity the Toll Road system in Urban Areas
- Reduce the traffic’s problem in Metropolitan Areas

Project Detail
Project Agency: Expressway Authority of Thailand (EXAT)
Private Participation: Bangkok Expressway Public Company Limited (BECL)
Contract Duration: 30 Years (1 Mar 1990 – 28 Feb 2020)
Model: Build-Transfer-Operate (BTO)
Opening date: 2 March, 1993

Risk Allocation

<table>
<thead>
<tr>
<th>Process</th>
<th>Public Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td>-</td>
<td>Under the Public’s requirement</td>
</tr>
<tr>
<td>Source of Funds</td>
<td>-</td>
<td>Debt 80 : Equity 20</td>
</tr>
<tr>
<td>Construction</td>
<td>Land Acquisition</td>
<td>✓</td>
</tr>
<tr>
<td>O &amp; M</td>
<td>-</td>
<td>✓</td>
</tr>
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Revenue Sharing Ratio

<table>
<thead>
<tr>
<th>Duration</th>
<th>Public Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>The first 9 Years: (2 Mar 1993 – 1 Sep 2002)</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>The first 9 Years - the last 9 Years: (2 Sep 2002 – 28 Feb 2011)</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>The last 9 years: (1 Mar 2011 – 28 Feb 2020)</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Lesson Learned:
1. Failure of Demand Estimation: Private party should take all demand risks?
2. Disputes between public and private sector:
   - Gov’t allowed another private party to invest in near-by route
   - Private participation took demand risks when the Gov’t has control on the toll.
   - Toll formula in the Contract