

National Workshops on Infrastructure Financing Strategies for
Sustainable Development in Samoa



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The path to successful PPP

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PPP Definition

Long term (relationship beyond construction phase)

Contract based (different types exist)

*"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

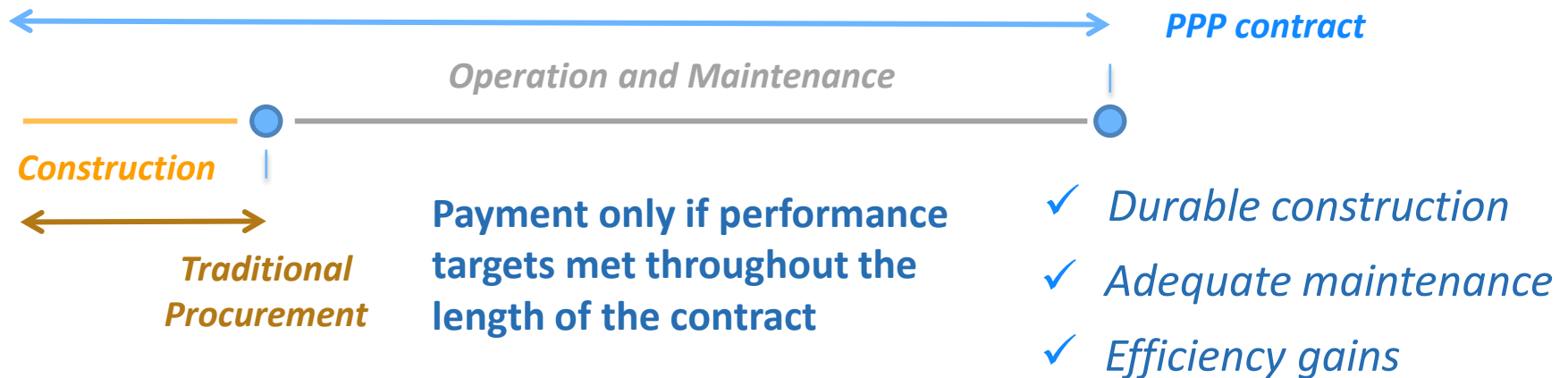
Source: PPP Reference Guide 2.0

- ✓ Mobilizing resources → around \$80-100 billion per year
- ✓ 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)



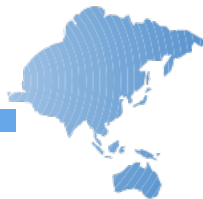
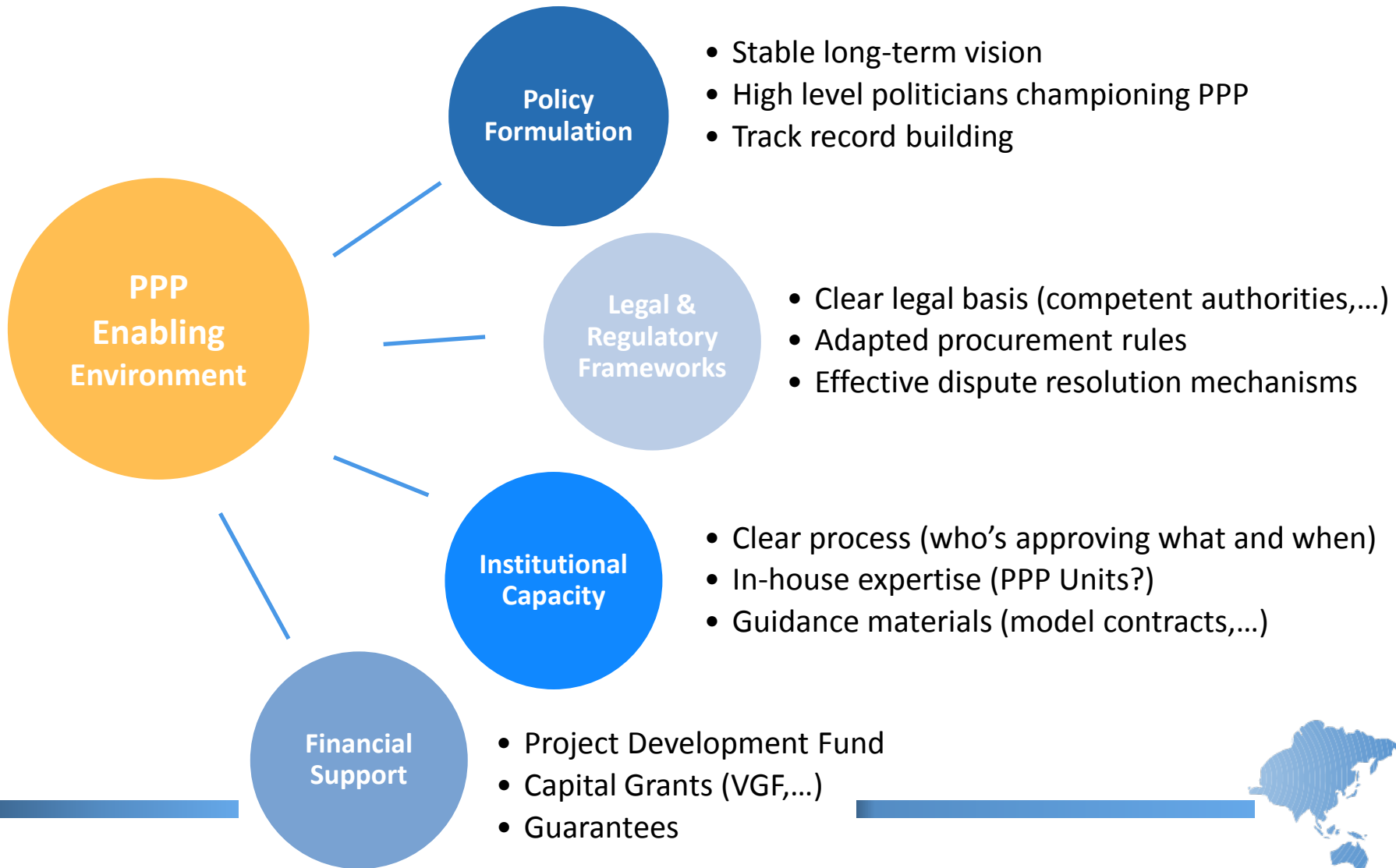
PPP Limitations

- **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**



Governments have a role to play...

... to create an enabling environment for PPPs



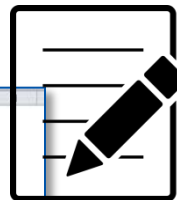
PPP Enabling Environment Planning Actions

■ ESCAP “PPP Readiness” assessment

Legal and Regulatory Provision for PPP			Average assessment by:		
Please add your scores into the green fields (4=very good; 3=good; 2=moderate; 1=fair; 0=poor)			Government	Domestic private sector	International private sector
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>
	42	Limited restriction on participation of foreign investors in PPP projects			
	43	Judiciary understands and accepts PPP policy framework			
Legal provision for property acquisition	44	Authority and procedures are clear for acquiring rights of way			
	45	Regulatory authority is clear for all PPP types expected			
Adequacy of structures providing for economic regulation of PPP projects	46	Price and quality of PPP monopolies regulated to protect consumers and others			
	47	Price regulation sufficiently flexible to adjust to major cost changes			
Implementation of economic regulation (including quality and fairness issues)	48	Powers and resources are adequate to regulate PPP			
	49	Accounts of PPP projects available to regulators and subject to effective query			
	50	Regulators demonstrate competence, independence and efficiency			
Regulatory Environment, total:			0	0	0

Maximum score for this category: 40

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.

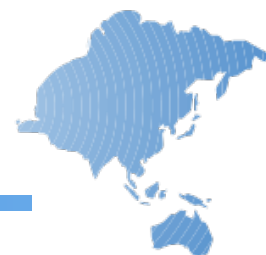


Questionnaire to identify key bottlenecks...

- Legal and Regulatory Provision for PPPs
- PPP Policy Framework
- PPP Capacity
- PPP Process: Selection and Contracting
- PPP Process: Post Selection
- Social Dimension of PPPs

- ✓ Bhutan
- ✓ Cambodia
- ✓ Lao PDR
- ✓ Myanmar

*... and to plan
government actions*

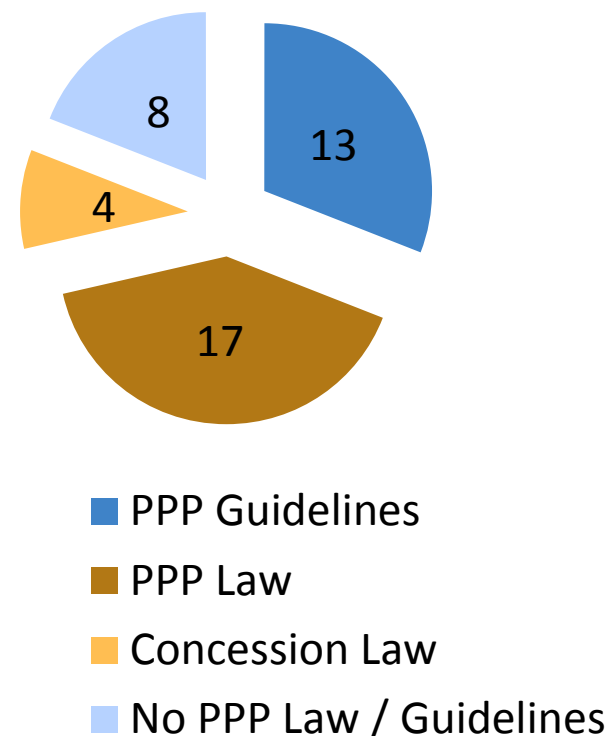


PPP Legal & Regulatory Frameworks

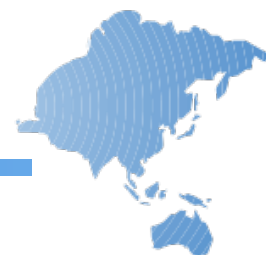
- Objectives, Scope and Models of PPPs
- Institutional Responsibilities (Approval, ...)
- Financial Support Mechanisms
- Procedures (Procurement, Dispute Resolution, etc.)

*Most countries have enacted **PPP Law** in the Asia-Pacific region (e.g. The Philippines and Republic of Korea) ...*

*... but some countries have simply issued **guidelines / policy** documents (e.g. India)*

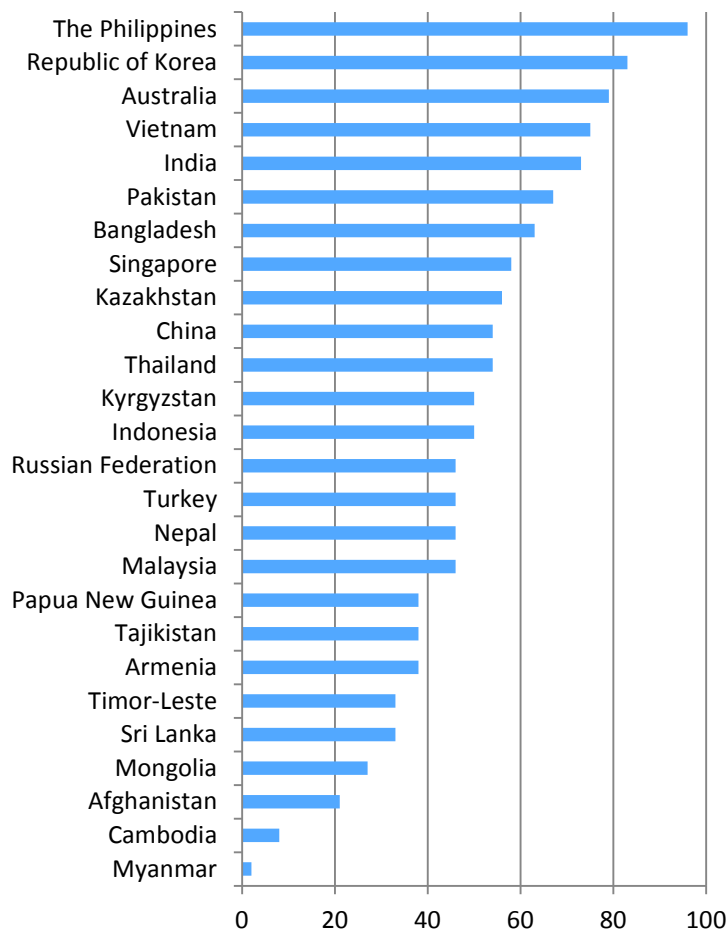


Source: ESCAP's review of 42 Asia-Pacific countries



PPP Preparation

Good Practices



Good practices :

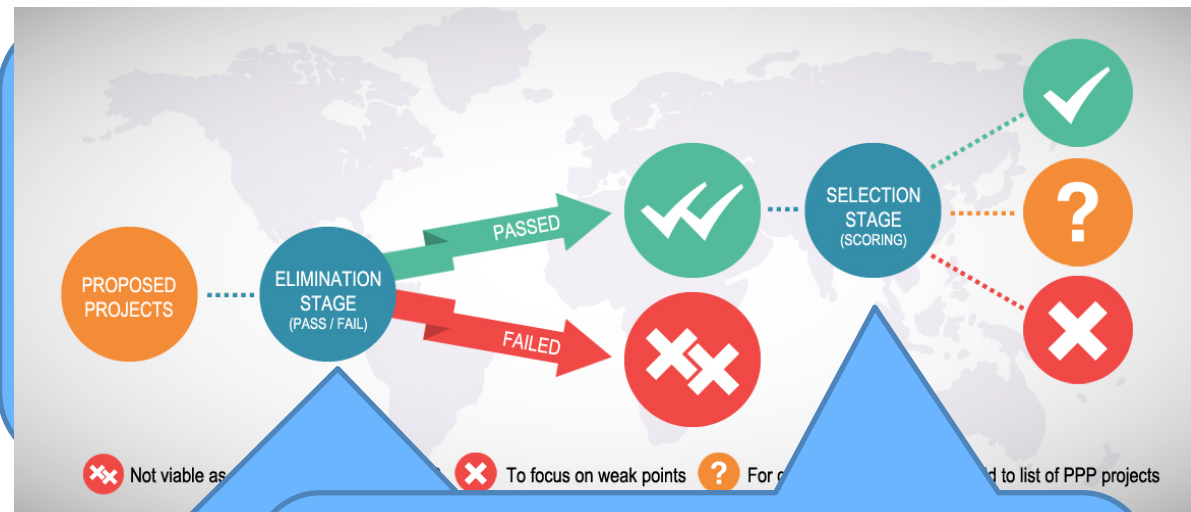
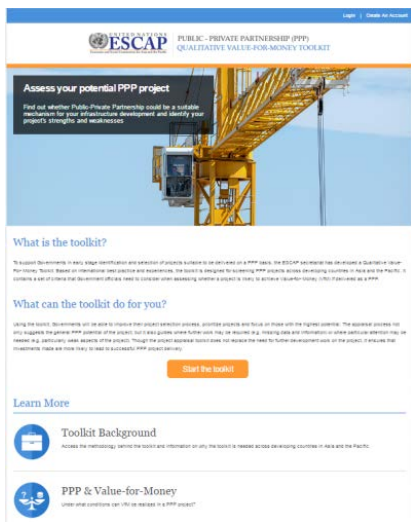
- Assessment of long-term financial implications (prior MoF approval)
- PPP project prioritized along other public investment (planning process)
- Project justified in terms of socioeconomic analysis, market assessment, procurement method, etc. (legal requirements + methodology)
- Draft contract included in RFP
- Standardized contracts / consistency



PPP Project Screening

ESCAP Value-for-Money Toolkit

<https://ppp.unescap.org/>

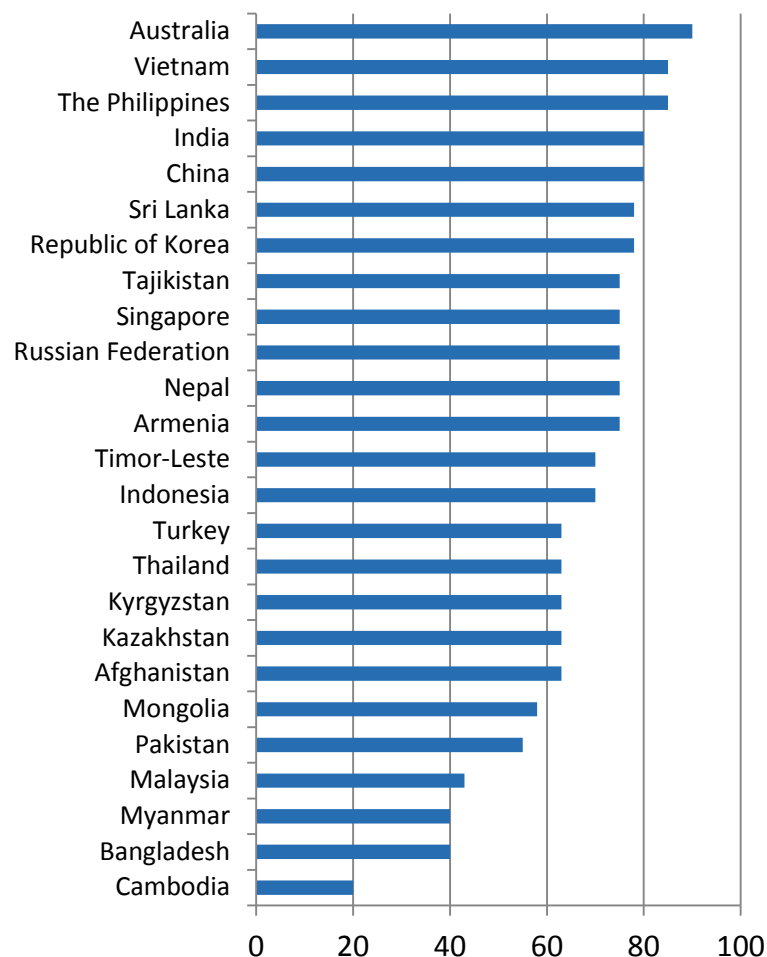


- Project within mandate of government
- Eligible within PPP policy/law/framework
- Identified via relevant procedures
- Consistent with relevant development

- Sector readiness
- Private sector readiness and interest
- Government agency readiness
- Project feasibility and readiness
- PPP specific criteria

PPP Procurement

Good practices

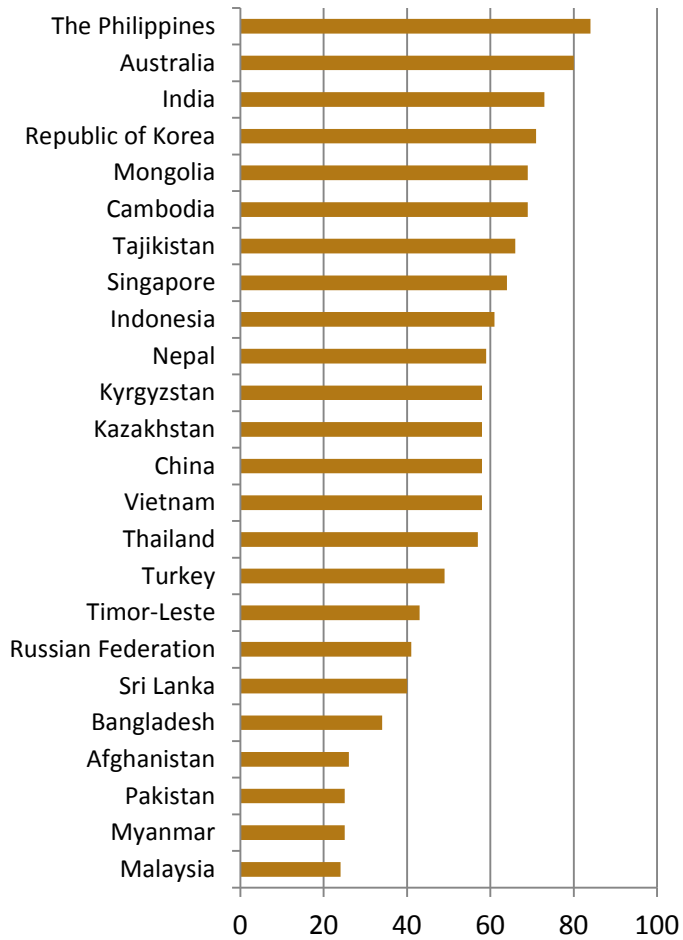


Transparent & fair competition:

- Online publication of procurement and award notice;
- Transparency in communication with the bidders (Q&A disclosed to all bidders)
- Evaluation according to the criteria stipulated in the tender documents;
- Procedure to deal with a single bid;
- Bidders present a financial model with their proposal;
- Post-award negotiation are restricted and regulated.



PPP Contract Management



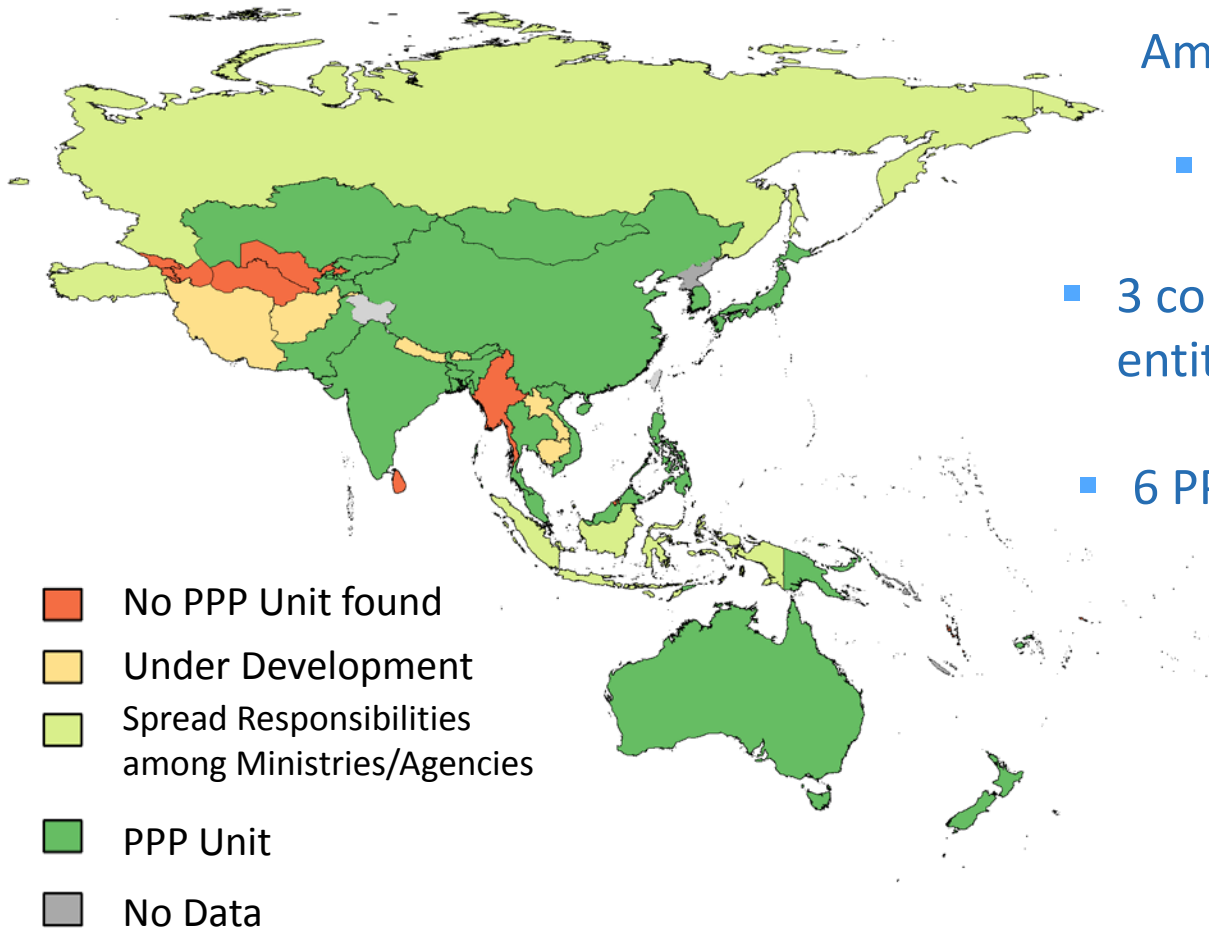
Good Practices in contract management:

- Establishment of a PPP project management team;
- Regulation of contracts modifications;
- Dispute resolution mechanisms in place;
- Ground for termination are well-specified and associated consequences defined;
- ...



Institutional Arrangement

Asia-Pacific Situation



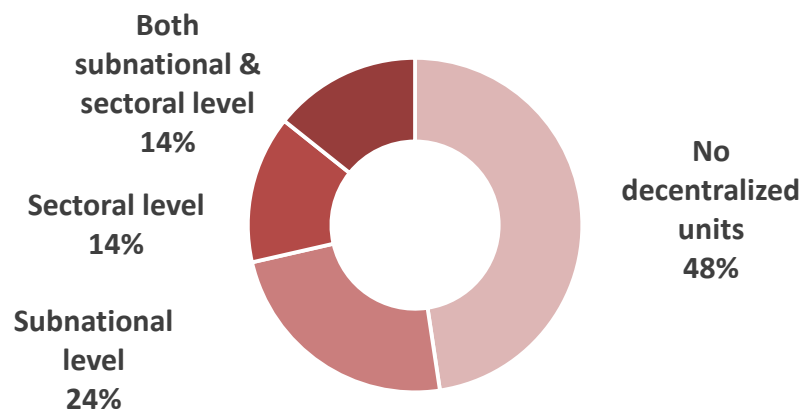
Among 42 countries reviewed:

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

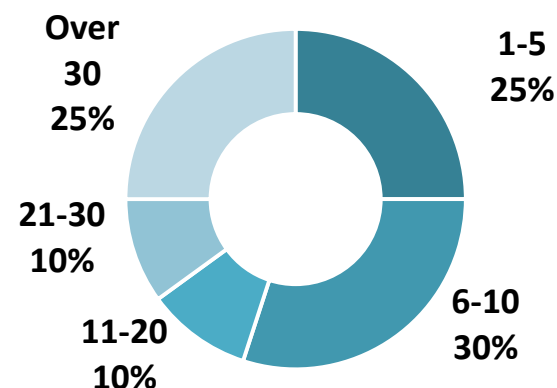
PPP Units

Location, Size and Role

- **Location:** Ministry of Finance , Planning, Prime Minister's Office
 - + at subnational level (Nepal, Pakistan, India)
 - + at sector level (Bangladesh, India)

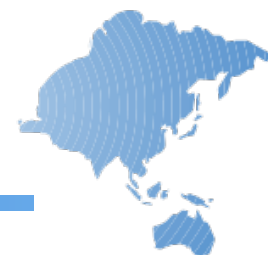


- **Size**
(Nb. of staff)



- **Role:** Policy Formulation, Standardization, Coordination, Capacity Building, Promotion and Technical Support

Internal center of expertise



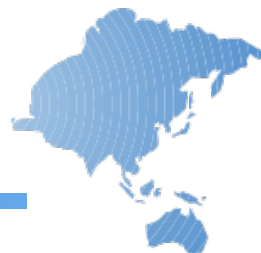
Capacity building... ... a major constraint

- ESCAP: Free PPP Online Course (6 Modules)



Including a certification programme
Accessed 40,000 times last year !

- Classroom Training on PPPs (national workshop)



PPP Financial Support Mechanisms

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

13 countries in the region (e.g. The Philippines, Viet Nam and China)

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

(Dudkin & Vällilä, 2005).

- **Viability Gap Funding (VGF)**

Users fees might not suffice to cover investment costs

8 countries (e.g. India, Bangladesh)

Project Costs



**SUBSIDIES
NEEDED !**

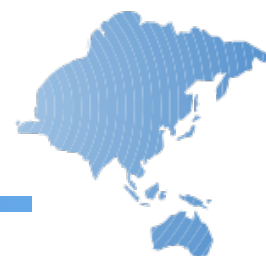
User fees

- **Guarantees**

Demand for service might be difficult to predict

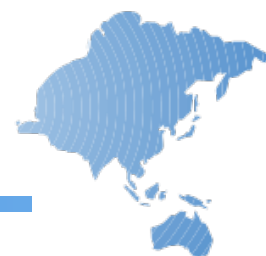
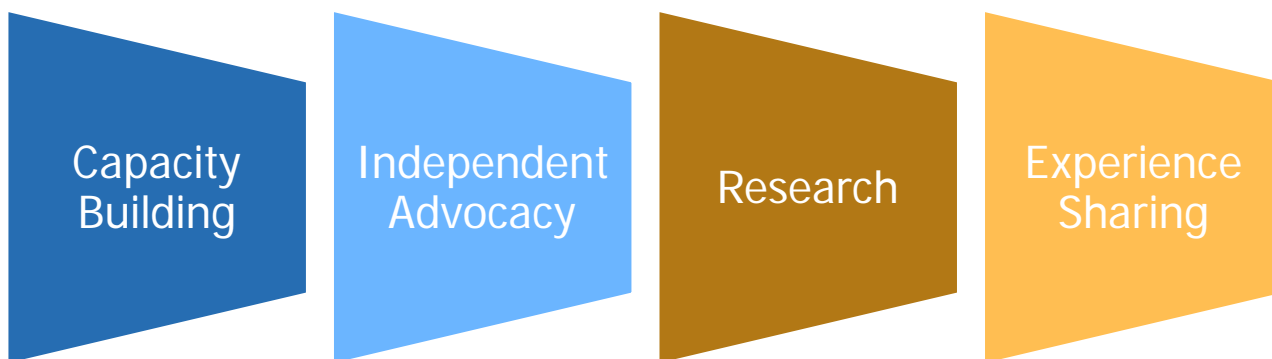
7 countries (e.g. Turkey, Indonesia)

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



Conclusion

- Should PPP schemes be supported for tackling infrastructure development challenges?
- 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:





Fa'afetai



Th@nk you

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

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