Government role for creating a PPP enabling environment

The document provides a copy of the slides presented in the third module of the ESCAP e-learning series on Public-Private Partnerships. The related e-learning video can be watched on the ESCAP website.

Objectives

- Facilitate PPP projects?
- Foster a PPP enabling environment?

Government Role

ESCAP supports governments in the Asia-Pacific region in implementing measures to efficiently involve the private sector in infrastructure development. The ESCAP e-learning series on Public-Private Partnerships contributes to this objective and aims at improving knowledge on PPPs.

For further information please contact:
Transport Division
United Nations ESCAP

Telephone: (66) 2-288-1371
Email: escap-ttd@un.org
**Policy Formulation**

- To define long-term vision and strategy
- To secure high level politician support
- To build consensus internally
- To indicate an upcoming pipeline

Proven track record

**Legal & Regulatory Framework**

- Clear legal basis
  - Competent authorities
  - Private participation (sector eligibility)
  - Foreign investors?
- Dispute resolution mechanisms
  - Approving a PPP project
  - Entering a PPP contract
  - Fair compensation (e.g. arbitration)
- Procurement rules
  - Fair, transparent and competitive process
- Tariff setting
  - Methodologies
  - Review process
- Interactions between public and private partners
- Unsolicited proposals?

**Institutional Arrangements**

- Clear allocation of responsibilities
  - Who is approving what and when?
  - Who is in charge of promoting PPP solutions?
  - Monitoring / Regulation during implementation?
  - Capacity?
  - Where is the expertise located in the government?

**PPP Units - Functions**

- Supervision
- Facilitation
- Promotion
Supervision

Screening / Quality Control

- Project Proposals

Gatekeeper / Approval

- After Feasibility Study
- Prior to Bidding Documents Issuance
- Before Contract Signature

Performance monitoring

Facilitation

Technical Support

- for identifying PPP options
- for developing projects
- for coordinating all agencies involved

Transaction Advisors

- Standardizing procedures & documents

Reduce Transaction Costs & Avoid Pitfalls

Guidance Materials

- Capturing Best Practices & Lessons Learnt
- Risk allocation
- Project screening

Bidding documents and contracts

Model concession agreements

- Ready-to-use contract
- Well-known provisions
- Negotiation and approval process facilitated
**Promotion**

- Pipeline Dissemination
- Publications
- Online Platforms
- Entry Point
- Creating Awareness
- Building Internal Capacity
- Managing Public Perception
  - Access to information
  - Stakeholder consultation

**Location**

- Independent vs. Within Government

- Ministry of Finance, Planning Agency, Prime Minister's Office, PPP Cells in Line Ministry...
- Sub-national level (e.g. State Government)

**Conflict of interest**

- Promotion vs. Performance Assessment
- Not an objective in itself

**Financial Support**

- to prepare project
- to make project attractive/viable

- Project Development
- Tax Incentives
- Guarantees
- Capital Grants

- Accounting of government liabilities

**Project Development Facilities**

- Transaction advisors
- Legal
- Technical
- Financial

- Independent of budget cycle
- Revolving mechanism
Tax Incentives

- Tax exemptions (profit, real estate,...)
  - Customs benefits like reduction of import duties

Guarantees

- Sovereign guarantees
  - covering risk the private partner is not ready to bear
  - GUARANTEED

Capital Grants

- Viability gap funding (capital grants)
  - Economically viable
  - Financially not viable

Economic and Business climate

- Financial sector development
  - Long-term financing

- Macro-economic environment
  - Labor force
  - Customer base
  - Growth

- Business climate
  - Red-tape