

Uttarakhand Public Private Partnership Cell
Department of Planning
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Introduction to PPP

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History of Public Private Partnership

The origin of PPP is since last three decades

Since 1990 onward PPP is an essential financing tool and has grown in all developed and developing economies

Governments globally are targeting higher economic growth and hence Private sector participation is becoming very common

Like infrastructure, social sectors also needs PPP for financial and better service delivery mechanism

Public Private Partnership (PPP) - Definition

No Single definition

Every country's approach to PPP is designed to meet its policy objectives

Long term contractual partnership between public and private sector to deliver services traditionally the domain of public sector

- Financing,
- Designing,
- Implementing,
- Operating infrastructure facilities/services

Public Private Partnership (PPP) - Definition

Partnership UK defines PPP as

“A public-private partnership with a specific public sector mission to support and accelerate the **delivery** of infrastructure renewal, **high quality** public services and the **efficient** use of public assets through better and stronger partnerships between the public and private sectors”

Public Private Partnership (PPP) - Definition

Essentials of PPP

Legal Contract to deliver a public service project

Implementation, Operations & Management

Allocation of resources, risk, rewards and responsibilities

Advantages of Public Private Partnership

Attracting Private capital to reduce budget deficit

Efficiencies by integrating design/build with financing – single entity responsible for design, build, finance, O&M

Optimum allocation of risk and its management

Value for money for the taxpayer

Speedy, efficient and cost effective service delivery

Private sector specialized expertise and innovative methods

Accountability and competition in public service delivery

Pre-Requisites to PPP

There is an identifiable commercial opportunity.

The whole life construction and or operational cost of the project can be reduced by private sector involvement, and efficiency savings can be shared with the government.

There will be a strong and reliable revenue stream throughout the life of the project.

The government does not have to own or operate the infrastructure.

The private sector is able to provide the project or service in accordance with government strategic plan requirements.

The private sector has the latest technology and best management practices available for use on the project.

The government's capital funding requirement for the project will be reduced.

Steps for PPP

Project Preparation

- Project Identification
- Concept notes
- Approvals
- Engaging TAs if needed
- Private Sector Discussions
- Public Sector Comparator
- Value for Money Analysis
- Selecting PPP Structure and PPP Model
- Bidding Criteria identification



Market Engagement

- Approvals if needed
- Issue EOI/RFQ documents
- Evaluation and Selection
- Approvals if needed
- Issue RFP & DCA
- Pre-bid Conference
- Evaluation of Bids
- Selection of Preferred Bidder



Contract Management

- Approvals if needed
- Contract signing
- Handing over to Private Sector Partner
- Project Monitoring
- Service levels monitoring
- Hand back process
- Renewal / Rebid

How to choose PPP Model

Identify Project

- Project rationale
- Services to Citizen
- Assets to be deployed
- Assets to be acquired

Business Case

- Prepare business model of service delivery using public sector cost and revenue model

Risk Analysis and Allocation

- Identify risks
- Transferrable and Retained Risks
- Based on transferred risks PPP Model would emerge

Shadow PPP Bid

- Prepare shadow PPP bid based on risk allocation

VfM

- Check VfM
- If positive VfM PPP Model is workable
- If Negative VfM then rework on Risk Allocations etc. to

Models of Public Private Partnership

- Vary from short term management contract to long term complex concession types (BOT/BOOT)
- Various components for success of these models are shown

Option	Asset Ownership	O&M	Capital Investment	Commercial Risk	Duration (years)
Management Contract	Public	Private	Public	Public	3-5
Lease	Public	Private	Public	Shared	8-15
Concession (BOT)	Public	Private	Private	Private	25-30
BOOT/BOO	Private/ Public	Private	Private	Private	20-30

Models of Public Private Partnership

- Required expertise and financial investment from private sector in various models

Objective→	Technical Expertise	Managing Expertise	Operating Efficiency	Invest in Bulk	Invest in Distribution
Option					
Service Contract	Yes	No	No	No	No
Management Contract	Yes	Yes	Some	No	No
Lease	Yes	Yes	Some	No	No
Concession (BOT)	Yes	Some	Some	Yes	No
BOOT/BOO	Yes	Yes	Yes	Yes	Yes

Roles of Government

Government must create conducive environment for Private investment in public infrastructure

- Formulate policies, guidelines for PPP implementation
- Create road map for PPP development in the State
- Formulate legal framework empower sponsoring authorities
- Setup institutional mechanism for appraisal, approval, assessment and review of PPP projects
- Create viability-gap-funds for commercial non viable projects (social sectors)
- Create project development fund
- Capacity building within government sector
- Issue PPP procurement guidelines to ensure transparent bidding

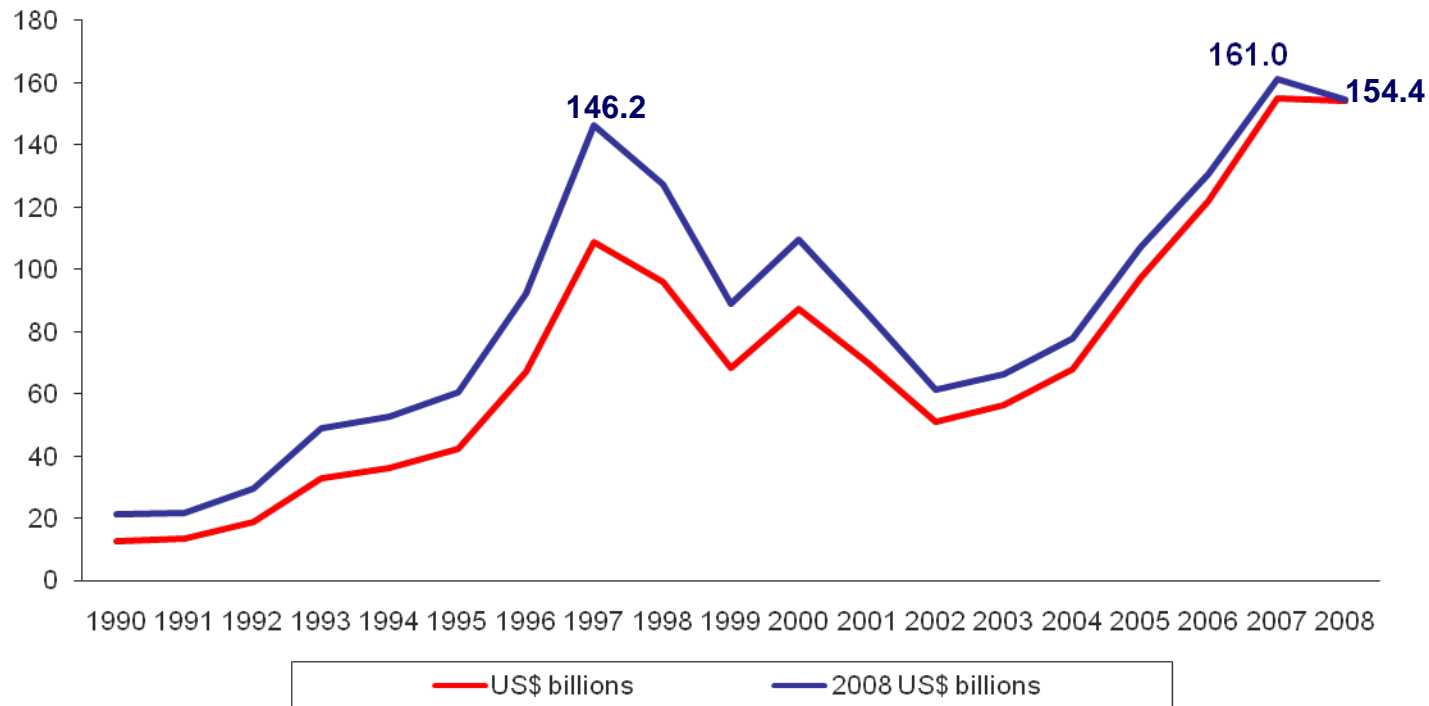
Roles of Private Sector

The PPP partner needs to actively participate with good corporate governance approach for effective and efficient service delivery.

- Induct innovative methods, latest technology, technical expertise, efficiency and management
- Service oriented rather than profit making approach, since PPPs are citizen centric
- Provide affordable, cost effective and efficient service to achieve value-for-money
- Maintain standards for construction, operation, safety and environment

Global PPP Scenerio

Investment commitments to infrastructure projects with private participation in developing countries in real and nominal terms, 1990-2008



Source: World Bank and PPIAF, PPI Project Database.

Global PPP investment during 1990-2008

Regions ranked by number of projects, 1990-2008		Regions ranked by investment 1990-2008 (US\$ million)	
Region	Project Count	Region	Project Investment
East Asia and Pacific	1,338	Latin America and the Caribbean	5,15,137
Latin America and the Caribbean	1,290	East Asia and Pacific	2,93,721
Europe and Central Asia	678	Europe and Central Asia	2,40,907
South Asia	452	South Asia	1,60,497
Sub-Saharan Africa	371	Sub-Saharan Africa	82,958
Middle East and North Africa	122	Middle East and North Africa	67,603
Total	4,251	Total	1,360,823

Global PPP investment in major sectors during 1990-2008

Primary sectors ranked by number of projects, 1990-2008		Primary sectors ranked by investment, 1990-2008 (US\$ million)	
Sector	Project Count	Sector	Project Investment
Energy	1,647	Telecom	6,64,027
Transport	1,147	Energy	4,05,450
Telecom	795	Transport	2,32,065
Water and sewerage	662	Water and sewerage	59,281
Total	4,251	Total	1,360,823

Top 10 countries with PPP investment (1990-2008)

Top 10 countries by projects, 1990-2008		Top 10 countries by investment, 1990-2008 (US\$ million)	
Country	Project Count	Country	Project Investment
China	884	Brazil	2,20,265
Brazil	355	India	1,23,864
India	337	China	1,06,149
Russian Federation	322	Mexico	91,869
Argentina	195	Russian Federation	82,228
Mexico	180	Argentina	81,137
Colombia	133	Malaysia	50,605
Chile	111	Turkey	46,082
Thailand	98	Indonesia	45,228
Malaysia	96	Philippines	45,096