



WAPPP QUARTERLY MAGAZINE

DOSSIER:

More PPP Units present themselves



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Dossier : PPPs Units present themselves

Editorial

Ziad Alexandre Hayek and Jean-Christophe Barth

We are delighted that WAPPP's Annual Congress (June 14-16), entitled "Next Level PPP", was a huge success. We had over 790 delegates who registered from 64 countries, 126 speakers and a total of 46 main stage sessions over three days.

The third day was exclusively reserved for PPP Units showcasing their plans and projects. We were amazed by the quality and enthusiasm of the delegates and are already thinking how to replicate this next year.

The success of the WAPPP Annual Congress is one of the cornerstones of the growth of our organization, which is now entering a new phase of its development with the approval and implementation of a Strategic Action Plan 2021-2026 and ambitious goals set forward.

The first meeting of the Council of PPP Units Heads is planned for the second half of October and we can already notice the strong interest of PPP units for this casual exchange format in the WAPPP network.



Ziad Alexandre Hayek
President of WAPPP



Jean-Christophe Barth
Executive Director of WAPPP

Our general assembly which will take place on [] This will be the opportunity to take stock of the achievements of 2021 and to look ahead and plan for the future. We hope that all our members will participate in this online event and contribute to our joint efforts.

Finally, we look with intense optimism to the future of PPPs in this phase of Covid recovery. Public spending has increased during the crisis putting fiscal balance at strain and making a still stronger case to reach out to private capital to finance vital infrastructure. Moreover, the crisis has generated a feeling that economic growth must rely on solid social and environmental foundations, of which public facilities are a vital part of this mandate. PPPs have a key role to play in this new economic model both in developing and developed countries.

This new issue of our Magazine will introduce more PPP Units and will also contain the usual innovative insights on PPPs of our best experts. Happy reading!

DOSSIER

PPP Units present themselves

In this edition we continue the presentation of PPP Units. During our Annual Congress on 15 and 16th June, over 23 PPP Units have participated in individual video sessions. We propose here include a summary of the transcripts (all mistakes and omissions being ours!) for 9 of them. WAPPP Magazine wishes to be the favourite home place for all PPP Units, and we shall continue this endeavour in our next future issues.



Kyrgyzstan
PPP Center Ministry of Investment



Bangladesh
Public Private Partnership Authority



Dominican Republic
Directorate General of
Public Private Partnerships



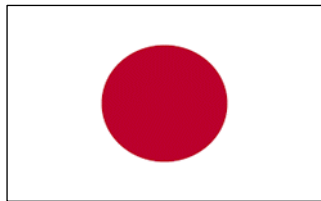
Egypt
PPP Unit, Ministry of Finance



Gabon
Unité d'appui aux PPP



Ghana
Public Investment and Assets Division,
Ministry of Finance



Japan
PFI/PPP Promotion Office
Cabinet Office



Paraguay
Projects Directorate
Min. of Public Works & Comm



National Agency for Investment
and Export Promotion
El Salvador

Bengladesh: PPP Authority

Prime Minister Office



Sultana Afroz,
Secretary to the Government of
Bangladesh, Chief Executive Officer (CEO),
PPP Authority, Prime Minister Office

Under Prime Minister's authority, Bangladesh has developed infrastructure with the use of PPPs, with a particular focus on highways, bridges, airports, seaports and power plants. The main drivers of PPPs are the gap between the fiscal capacities and the financing needs, the private expertise that PPPs may bring in and the quality of the private management.

Bangladesh is currently a middle-income country. In the last decade it has experienced a steady average growth of about 7% which has only temporarily modestly slowed down with only a modest reduction to 5% in 2020 because of the pandemic.

To reach the 2030 SDGs, 928 bn USD are needed. 80% of this amount should be sourced domestically, with a 42% share for from the private sector. PPPs are expected to represent 5.5% of the total amount, half of which is coming from the private sector.

PPP policy has been published in 2010. It has paved the way for the establishment of the PPP authority in 2011 and the appointment of its CEO in 2012 CEO.

Based on the current legislation (PPP Act of 2015), 3 types of PPPs can be distinguished:

- Government paid PPPs (like LNG terminal or power plant)
- User paid PPPs (like a toll -road)
- Mixed projects

The PPP Authority enjoys a strong autonomy within the Prime Minister Office. Its main role is to promote the PPP concept and support the line ministries to identify, develop, and procure projects. Its staff include both private sector professionals and civil servants.

Other institutions include:

- PPP Unit in Finance divisions
- Focal points in line Ministries
- PPP cells at selected agencies developing PPP projects
- Bangladesh Infrastructure Finance Fund Ltd (BIFFL), which may provide lending support to PPP project

Procedures and guidelines during development of projects have been put in place according to the best practices of the profession.

After the first project screening, Cabinet committee approval is requested to proceed further. Transaction advisers are appointed to conduct the feasibility study and support the tender and the evaluation process.

In most cases procurement should be made under a competitive process. Direct award is permitted with partner countries under "Government to Government" schemes. Japan, Singapore, UAE and Korea currently have agreements in place. Denmark, Turkey and Saudi Arabia have engaged discussions.

The Government may grant incentives to attract investors: viability gap funding, tax holidays, availability payment, minimum revenue guarantee and other instruments. Blended financing with international institutions is also available. In total the Bangladesh PPP framework appears as robust and dynamic.

The total pipeline comprises 79 projects for a total project value of 29 bn USD, as showed shown below:

Stage	Number of projects
Operation	1
Construction	6
Contract signed	10
Contract to be signed	2
Procurement	13
Feasibility study	27
Others	20

These projects relate to all segments including social infrastructure, roads, rail bridges, seaports, container, sustainable food, agriculture, cold chain, green urban areas and others. Transport projects have the highest share.

PROJECT	COMMENT
Hemo Dialysis (National Institute of Kidney Diseases and Urology Medical College), 2016	First health care pilot project, to be duplicated in the country.
Elevated express way, Dhakka	In construction. Capex 1.4 bn USD for first phase. Total cost will amount to 7 bn USD for 47 km. BIFFL will provide 40% of the cost
National Housing Authority	1.4 mln sq feet. Capex of about 75 mln USD
Affordable township project Jhilmil	Residential project of 1.2 bn USD. It will comprise 86 multistoried buildings.
Mongla Port authority	Construction of 2 jetties for 94 mln USD

The key challenge is currently the financing as no local market can fund megaprojects. It is therefore necessary to attract international banking and non-banking institutions to finance PPP projects with the support of multilateral agencies and development partners.



Dhakka Elevated express way

Dominican Republic

Direccion General de Alianzas Publico Privadas (DGAPP)



Izalia Lopez
Promotion Director
DGAPP

The Law 47-20 which has established a framework was enacted on Feb 20, 2020, and the by-laws enacted on Sept 1, 2020 at the same time than the establishment of the PPP Unit. It foresees a transparent process for admission, rejection and evaluation of private initiatives, as well a clear and robust process in the evaluation phase. Maximum action periods for presentation and evaluation phase are due.

According to this recent framework, PPPs are headed by a National Council of PPPs (CNAPPP) comprising of 6 members:

- Minister of Presidency
- Minister of Finance
- Minister of Economy, planning and Development
- Legal Consultant of the executive branch
- General Director of Public Procurement
- Executive Director of DGAPP (without vote)

The CNAPPP evaluates and decides on relevance and desirability of the PPP projects, approves models of specifications, decides on bids submitted, and approves each contract to be signed.

The DGAPP is in charge of structuring, promoting, supervising and regulation of infrastructure projects. The Executive Director of DGAPP is appointed by presidential decree.

As the DGAPP sees it, the reasons for PPPs include:

- risk allocation
- increased productivity of the public sector
- alternative to lack of liquidity
- efficient allocation of administration capacities,
- fiscal impact
- attracting talents
- improving scope and quality of public services
- ensuring greater transparency

Private initiatives are especially protected in the recent legislation:

- Maximum and minimum deadlines in the different phases of the project
- Evaluation according to the order of presentation
- Copyright on studies presented
- Confidentiality of documentation
- Refund of the cost of studies if the applicant is not awarded the project
- Rejection of similar initiatives
- Economic advantage between 2 and 5% during the tendering phase as established in the specifications
- Special tax treatment regime (exemption of VAT)

Main projects pipeline

There are currently 15 projects in the pipeline out of which 12 are private initiatives. This situation is due to a lack of familiarity of the PPP instrument with the Government. The policy is to open PPPs to a maximum number of sectors, but one of the driving ideas of the economic policy is to make Dominican Republic a logistic center in the Caribbean.



Touristic development project of Pedernales

Cabo Rojo

Touristic development of Pedernales	
Status	Greenfield
Land	44 mln sqm : <ul style="list-style-type: none"> - 29 mln sqm for hotel development - 15 mln sqm for Pedernales International airport in Manuel Goya town
ESG	Strong attention to environment protection (for instance, hotel maximum height 11 m)

Autopista del Ambar

Toll road between Santiago and Puerto Plata (private initiative). It should allow a reduction in travel time of 25 minutes. The project has been declared of public interest in April 2021.

Risk allocation will be important as the country has suffered from an earlier failed concession project.

Arroyo Barril port

Recreational tourist complex with maritime and land constructions cruise port. It should be able to receive oasis class cruise ships (8,500 passengers)

Vehicle technical inspection project

This project will allow to a complete technical review of vehicles in compliance with Law 63/17 which enforces an annual technical review for all vehicles older than 3 years.

Port of Manzanillo

Port for loading and unloading and logistics operations. It should serve Panamax feeder and supramax vessels.



Website: <https://dgapp.gob.do>

EGYPT

PPP Unit



Hatta Hannourah
Head of the PPP Unit,
Ministry of Finance

OVERVIEW

Egyptian PPPs climate was marked by difficulties at the beginning of the 2010s: Arab spring created political instability, repatriation of funds was limited and currency risks increased with devaluations. Since 2017, the investment climate has dramatically improved. Hard currency transactions are authorized, infrastructure is more efficient and political stability has come back. The highly experienced PPP Unit is now working on expanding capacity with satellite units in each ministry, the mentoring of public authorities and the upgrading of its PPP contract management capacity. The new 2020 PPP procurement law has allowed to improve resulted in a better World Bank ranking as well as to a strengthened transparency and robustness of its procedures.

The market is open for international companies. In practice, all contracts have been awarded to international consortia comprising local partners except 2 school building projects.

INSTITUTIONAL AND REGULATORY FRAMEWORK

The 2010 PPP law with all its executive regulations has implemented a PPP Supreme Committee composed of the Ministry of Finance, Ministry of Planning, Ministry of Legal Affairs, Ministry of Transport Ministry of Housing, Ministry of Electricity, Ministry of Industry and others.

The procurement process includes a qualification phase. This phase is entirely electronic and is free of charge for all applicants.

After qualifications, tender documents are communicated to qualified participants. They have 1.5 months for clarification or amendment requests in order to allow to enhance the quality of the project and contract. Individual meetings with bidders (which last in an average 4 hours) are scheduled before participants start to prepare their bids.

Dispute resolution includes international arbitration as per UN regulations using Egyptian law.

The Ministry of Finance guarantees all public financial obligations under PPP contracts.

PIPELINE

A few projects in the pipeline are listed below:

Desalination

The 2021-2025 5-year plan foresees 19 desalination plants projects. Four desalination projects are to be tendered in 2021:

- El hammam (minimum 190,000 cubic meters /day)
- Marsa Allam (from 10,000 to 60,000 cubic meters /day)
- Koseir (from 20,000 to 60,000 cubic meters /day)
- Safga (from 20,000 to 80,000 cubic meters /day)



Desalination plant, Egypt

Transport

10 th of Ramadan container dry port (10 th of Ramadan city)	<ul style="list-style-type: none"> ▪ Location: East of Cairo, between Cairo and Suez canal, serving the most important industrial zone in Egypt and including railway connection ▪ Surface: 250 feydans ▪ Capex: USD 200 mln ▪ Feasibility study completed by MBTS ▪ Tendered in June 2021
Sadat dry bulk port	<ul style="list-style-type: none"> ▪ Surface: 75 feydans ▪ Capex: USD 160 mln ▪ Expected tender date: June 2022
6 October logistic center	<ul style="list-style-type: none"> ▪ Adjacent to the port ▪ To be tendered in 2021
Dekhilat sea port	<ul style="list-style-type: none"> ▪ Location: adjacent to Alexandria ▪ Multipurpose terminal offload ▪ Capex: USD 200 mln ▪ Expected tender date: Q3, 2022
Dirty bulk Dekhilat port	<ul style="list-style-type: none"> ▪ Capex: USD 65 mln ▪ Berth 540 m long and 16 m deep ▪ Careful consideration of environmental aspects ▪ Expected tender date: Q3, 2022
Safagat port	<ul style="list-style-type: none"> ▪ New port in the south of Red Sea ▪ In the Golden triangle, near mining activities, and serving increasing traffic between Egypt and Gulf states and African countries ▪ 700 m quay ▪ Capex: USD 750 mln

In the transport sector, railways projects are also being considered as well as river transportation, especially for freight. Those projects will be tendered if deemed bankable according to the feasibility studies.

Schools

1,000 schools shall be built in the next 5 years. The main challenge consists in is the identification of the land plot.

Health care

Hospital projects are considered but require a lot of studies. The University of Alexandria plays a piloting role.

Gabon

PPP Unit



Davy Emame
Coordinator of the PPP Unit

Gabon is a small country with a population of 2 million and 85% of its territory is covered with forest. However, it has large oil, mining, and forestry resources. Since 2015, the low price of oil has generated a financial crisis. A recovery plan toward the diversification of the economy has been undertaken, followed by the Transformation Acceleration Plan (PAT). The goal is to make Gabon a regional economic hub and ensure a social pivot. PAT shall deliver a cross functional focus: acceleration of investments in energy and water, digital infrastructure (include in administration), real estate development, control of wages, monitoring of priority roads program.

Infrastructure investment needs are estimated to be 20 bn USD. They cover economic Infrastructure (transport, water, energy, telecoms), social infrastructure (education, health) and other sectors (notably tourism and agriculture).

Legal framework

PPPs are regulated by Ordonnance 09/PR dated Feb 11, 2016. 3 decrees have been published in 2018: tendering processes, PPP steering committee, and evaluation.

The *PPP Commission* (headed by the Prime Minister and comprising of the relevant Ministers) is responsible for developing, framing, and setting up the PPP policy and to develop the PPP pipeline (it has not met yet).

The *PPP Steering committee* is responsible for Projects identification and programming, PPP promotion and PPP monitoring.

The *PPP Unit* which was set up in 2019 is the technical assistant of Government for PPP matters: PPP policy and promotion, projects lifecycle, PPP control and monitoring.

The *National Agency for Investment Promotion* is the Promotional unit in charge of attracting investors with the presentation of the projects pipeline.

Sector units assist line ministries in identifying priority projects.

Main challenges

The main challenges for the development of PPPs include:

- Lack of financial and human resources
- Mechanism to finance studies (needs estimated to USD 2 mln in 2022) not yet in place
- Lack of fiscal resources (fiscal sustainability study for each project is to be prepared by Ministry of Budget)
- Dominance of unsolicited offers, which limits competitive procurement

The current pipeline is mainly characterized by road projects. Several contracts are to be signed in the agriculture sector with World Bank support.



Road construction in Gabon

Ghana

PPP Unit



David Klotey Collision,
Director

Public Investment and Assets Division

The history of PPPs in Ghana goes back to at least 2003 with some steps as indicated below:

- 2003: Government of Ghana (GoG) identifies PPPs as a mean to procure infrastructure projects
- 2004: guidelines for PPPs are published
- 2009: formal PPP program launched
- 2010: public investment division established to promote and appraise PPP projects
- 2011: PPP policy published
- 2012: PPP project launched with financial assistance of World bank
- 2016: PPP bill reaches consideration stage in Parliament before dissolution of 6th Parliament
- 2017-2018: Minister of Finance requires update of the bill and further stakeholder consultation is undertaken
- 2020: PPP Bill (Act 1039) enacted

The 2020 PPP bill regulates and promotes PPPs. It applies to all contracting authorities in the public sector and all commercial arrangements are carried out through partnerships. However it does not apply to: privatization, divestment of State owned assets, mineral rights and oil projects, and non-commercial activities linked to national security.

The Bill lists 9 obligations:

- compliance to the Act;
- affordability and sustainability;
- fairness and transparency;
- stakeholder consultation;
- safeguards;
- risk allocation;
- local content and technology transfer;
- value for money;
- application of procurement procedure

Institutional and regulatory arrangements

The *PPP Committee* is the approval authority for PPPs. It is composed of:

- Minister of Finance
- Attorney General,
- Minister for Trade and Industry,
- Director-General of National Development Planning Commission (NPDC),
- Executive Director of Environmental Protection Authority (EPA),
- CEO of Ghana Investment Promotion Centre (GIPC)
- CEO of the Public Procurement Authority (PPA),
- Executive Secretary of the Lands Commission
- Representative from Chartered Institute of Bankers
- Representative from of the Ghana institution of Engineers
- 2 persons nominated by the President, one of them being a woman

The PPP committee meets at least once every two months. It approves feasibility studies submitted by contracting authorities, bid evaluation, cancellation of a tender, and recommends financial support to be granted by the Government to a PPP project.

Any PPP project must be technically, legally, economically, and financially viable as demonstrated by the project preparation documentation. Procurement comprises a 2 stages competitive tender (request for qualification, request for tender) with the PPP committee due to approve the evaluation report of the panel set up by contracting authority. The law also provides for a complaints panel chaired by a judge in case of bidding process disputes.

Exceptions to the competitive tender rule include the possibility for the Ghana Infrastructure Investment Fund (sovereign fund) to fund the project if the competitive method has been unsuccessful or an urgent need for execution is demonstrated. The procurement method must receive prior written approval of the PPP Committee.

Unsolicited proposals should not be already in the pipeline and not have already been considered. They should offer best value for money, be consistent with Government program, and not require any form of Government support.

The Swiss challenge is proposed to the initiator in case of competitive tender; direct negotiations are also possible subject to PPP committee and Cabinet. Ministries have to submit to the Parliament an annual report on their PPP activities and programs.

The Parliament must approve all tax exemptions and any international transactions upon submission by the Cabinet.

Sector ministries are in charge to initiate projects and processes.

Government support mechanisms

- The *Project development facility* (PDF) is a revolving fund managed by Public Investment and Assets Division (PIAD) in the Ministry of Finance. It is funded with:
 - Budget
 - Loans and grants from Development Partners
 - Not more than 2% of capital cost paid by winning bidder at financial close
 - Refund of project development cost as first cost for each project funded from PDF

It can fund Project preparation structuring, monitoring and evaluation, capacity building and transaction advisory services.

- *Viability Gap Fund (VGF)* provides grants for projects economically but not financially viable. It cannot fund unsolicited proposals.



Eastern railway project in preparation

Way forward:

- Capacity building is necessary
- Improve the PPP regulatory and institutional framework (drafting of standard documents for projects and procurement)
- Operationalize Government support mechanisms
- Develop the projects pipeline (currently roads, water, housing, schools, hostels, markets, etc.).

Projects under preparation involve a highway project (part of Abidjan Lagos corridor), railway lines (including Western international line with connection to Burkina Faso), desalination plants and a few others.

JAPAN

PPP/PFI Promotion Office



Osamu Tanabe
Special Advisor,
PPP/PFI Promotion Office,
Cabinet Office

The development of PFI/PPPs takes place in a context of severe public finance situation, population decline, and deterioration of public facilities (25% of roads and bridges are over 50 years old as an infrastructure construction boom occurred in the 1960s, especially in relation with the 1964 Olympics). Under the PFI act (1999), 818 PFI projects have been implemented in sectors such as airports, public housing, culture halls, prisons. The current pipeline amounts to 30 bn USD. The long-term plan from 2022 focuses on 2 challenges:

- small and medium scale projects by local governments (due to high debt ratio, PPPs should be developed at local government level; however human resources, finance and know-how need to be taken care of).
- Carbon neutrality by 2030 through PPPs in energy sector

Institutional framework

PFI Promotion office

It was founded in August 1999 under the Prime Minister’s office. Its staff comes from national and local governments as well as from the private sector. It is currently headed by its Director General, Mr Takahisa Matsumoto. Its role consists in of ensuring coordination of council, committee and other meetings, designing Action plans and Guidelines, supporting local governments, and supervising PFI promotion

Council for Promotion of PPP

Its role is as follows:

- Composed of Ministries and chaired by Prime Minister
- Preparation of drafts of the basic policy
- Coordination among Ministries
- Deliberate and implement PFI policies

Committee for Promotion of PPP/PFI

- Composed of experts with relevant knowledge and appointed by the Prime Minister
- Study and deliberate issues relating to implementation of PFI policies and projects

Planning subcommittee

- Monitor progress of action plan

Project promotion subcommittee

- Ex post evaluation
- Deliberation of private sector proposals

Legislative framework

The PPP/PFI Act has been revised 6 times since 1999:

2001	allowing lease of administrative assets
2005	broadening the allowance of lease of administrative assets
2011	introducing right to operate public facility concession
2013	establishment of PFI Promotion corporation
2015	enabling retired civil servants to public facility operators
2018	establishment of one stop contact point

- Research and deliberation of non-ownership method of public facilities

Projects Case studies

Public sewerage treatment plant, Hamamatsu city

Project	Maintenance and management of <u>Seigen</u> sewage treatment center, pumping stations, and renovation of mechanical and electrical facilities
Investors	Veolia Japan (50%) and others
Contract type	BTO with revenue risk (users pay)
Contract duration	20 years
Contract value	USD 22.7 mln
Operations start	2019



Sanitary sewers in Japan

Projects summary

Since 1999, 818 PFI projects have been implemented (not including other PPP)

Contract amount implemented from FY2013 to FY2018 (in bn USD)

Concession	106
Profit oriented	45
Real estate utilization	27
Other PPP/PFI	40
Total	218

The Expenditure reduction and revenue increase effect have been estimated to be 15.9 bn USD

The speed of implementation is growing, as the Action Plan forecasts 130 bn USD over the next 10 years. 77 projects have been implemented in 2019, which continues the trend of a steady increase registered since 2010.

Repatriation by sectors (number of projects)

Environment	165
Social infrastructure	586
Telecom	11
Transportation	41

Local governments account for 83% of the total number of projects. PPPs clearly play a major role in the revitalization of local economy. However, the penetration rate for cities over 200,000 inhabitants is significantly higher than for the other cities (65% against 12%), which will represent a challenge to be tackled in the coming years.

4 types of PFI are possible according to the PPP Act:

1. Public facility operating right system (concession)
2. Project recovering expenses from project revenues (profit oriented)
3. Public real estate
4. Other (service purchase or comprehensive private consignment)

Concession (right to operate public facility) have been introduced in 2013. The number of projects is still limited:

Airports	12
Water supply	2
Sewerage	3
Road	1
Others	12
Total	35

Key factors for successful project implementation

- Solid consideration at early planning (Vfm analysis, market sounding, capacity building and transfer of knowledge)
- Mechanisms to create a competitive environment for best value selection (competitive bidding, profit-loss sharing to avoid excessive profit to the private sector)
- Fairness and transparency: solid legal framework, spirit of legal compliance, disclosure
- Commitment to safety and quality

The program is considered as highly successful, with very limited cases of disputes.

International flight zone improvement, Tokyo International airport

PROJECT	DESCRIPTION
Passenger terminal	BOO, self supported Investor: Japan Airport Terminal
Cargo terminal	BOO, self supported Investor: Mitsui Co
Apron	BTO, service payment Investor: Taisei Corp Contract value: USD 504 mln Operations start: 2010
Contract duration	30 years



Tokyo International airport

Waste treatment Kitanagoya Plant, Nagoya city

Investor	Nippon Steel
Contract	BTO
Revenues	Service payment Sale of valuable
Contract value	USD 524 mln
Contract duration	20 years
Operations start	2020



Waste Treatment, Nippon Steel

Hospital, Tama Region core hospital Children's medical center

Investor	Shimizu corp
Contract	BTO
Revenues	Service payment
Contract duration	15 years
Contract value	USD 2,414 mln
Operations start	2010

Urban renewal step-up, Takeshiba district

Investor	Tokyu Land Corp
Contract	fixed term land lease
Contract duration	70 years
Content	Completion of office and residential tower (15,000 sqm)



Takeshiba urban redevelopment project

In addition, the department is conducting the promotion of Oversea infrastructure system for international cooperation. It was initiated in 2013, with the elaboration of a new strategy in 2021 around 3 key pillars:

- Achieve economic growth through carbon neutrality and digital transformation
- Resolving social issues and achieving SDGs in partner countries
- Realize free and open Indo-pacific group

Kyrgyzstan

PPP Unit



Karatai Dzhangeldiev
Head of Project Preparation Department,
PPP Unit

Kyrgyzstan has been engaged with PPPs since 2012 and the adoption of the PPP law, followed with the bylaws in 2013. In 2014, the Project Development Support Facility was established simultaneously with the Investment Promotion Agency. The number of projects in the pipeline went up from 7 projects in 2015 to 12 projects in 2016. However, a new PPP Law was prepared and voted in 2019 (amended in 2021) together with the establishment of the PPP center. There are currently 32 projects in total.

The law grants to the investors the typical rights that are necessary to ensure investment safety: non-interference of the State in the economic activities of the Partner, protection of property from nationalization, right to dispose of income and profit, freedom of currency utilization, compensation for losses due to illegal actions of the public bodies, compensation for early termination of the project, among others.

The law also provides for many types of Government support to PPP projects private partners: guarantee for fulfillment of Government obligations, guarantee for minimum profitability, tax benefits, preferential rental rates, State preference, assistance in permits and licenses, and others.

Under the current framework PPP projects initiated by a private partner are encouraged. The initiator of an unsolicited proposal has the right to adjust its financial offer within 30 days in case another bidder proposed a more favourable offer; the winner of the tender must reimburse costs of development to the project initiator.

Direct negotiations to award a project are allowed in 5 cases:

- Emergency
- Large PPP projects initiated by Government
- Private initiative where the initiator owns the assets that are necessary for the public service
- Project is linked to exclusive rights or intellectual property owned by the private partner
- Small project (less than 0.8 mln USD)

Pipeline

Sector	Number of projects
Transport	7
Sports	6
Health care	6
Buildings	3
Education	3
Tourism	2
Logistic	1
Agriculture	1
Energy	1

Implemented projects

Hemodialysis centers	Location: Bishkek Osh and Jalalabad Investor: Fresenius Medical care (Germany) Date: 2017 Capex: USD 10 mln
Reconstruction of the cinema for children Kyzyl Kyrgyzstan	Investor: Burana (Kyrgyzstan) Capex: USD 0.3 mln
Electronic ticketing in public transport	Investor: BPC (Switzerland) Date: 2019 Capex: USD 2 mln

Under tender projects

- Computed tomographs health care (Capex: 4.5 mln EUR)
- FDBO customs and logistics complex in At Bashy district of Naryn region (Capex; USD 30 mln)

Large PPP projects

- Modernization of the airport. Capex is estimated at about USD 500 mln. Feasibility study is undertaken with support of IFC
- Introduction of national electronic road toll. Capex estimated to USD 42 mln ; tender planned end of 2021
- Toll roads projects under preparation with ADB support.



Kyrgyzstan, a new territory for PPPs

Paraguay

PPP Unit



Jorge Vergara
 Director
 Strategic Projects Directorate
 Ministry of Public Works and
 Communication

PPPs are governed by the PPP law 5102. Projects pipeline is represented mainly by the transport sector.

Route PY 10

Content	San Cristobal - Cruce Mbocayati section; adds 70 km of asphalt pavement to over 45 km already paved (turnkey); asphalt pavement carries a significant decrease in transportation costs for products, thus generating direct benefits to local economy
Capex	USD 80 mln
Status:	Feasibility study under preparation

Ferry system for river transportation – metropolitan area of Asuncion

Private initiative currently in interinstitutional analysis stage. It includes ports, terminal and access for a CAPEX of USD 120 mln. Risk allocation will be carefully studied to ensure bankability.

Rio Paraguay waterway

Most important communication channel of Paraguay economy as 80% of the economy goes through. The project includes dredging, signposting and maintenance. It is a private initiative from a Belgian company. Bidding process is envisaged for beginning of 2022. Other project in cooperation with Aretninaina government for all waterways in concession.

Treatment and distribution plant for cities of Limpio, Luque and San Lorenzo

The project should benefit 100,000 families for a cost of USD 450 mln. Risk sharing agreements and sufficient Government support are being structured.

Sanitary support for Capiata city and effluent treatment plant

This project is at an early-stage planning in relationship with to the sanitation plan of Lake Ypacarai. it includes sewerage for the Capiata sanitation board and a treatment plant with an expandable horizon that can accommodate other providers in the future.

Route PY 01

Content	Duplication of almost 90 km (<u>Acceso Sur - Ytoro - Quindy</u>), which is the second most important road corridor in Paraguay,
Capex	USD 300 mln
Status:	Feasibility study under preparation with IDB support

Route PY 06

Content	65 km extension (<u>Encarnasion - Access to Pirapo</u>), 3 rd most important corridor in Paraguay and will connect to export corridor
Capex	USD 120 mln
Status:	Launching in 2022

Installation plan for 3 integral treatment plants for 6 municipalities

Stage 1	<u>Nemby</u> , <u>San Antonio</u> and <u>Ypane</u> , Capex PYG 284 mln
Stage 2	<u>Villeta</u> and <u>Guarambare</u> . Land located near the existing plant in <u>Villeta</u> Capex PYG 79 mln
Stage 3	<u>Nueva Italia</u> (city located 16 km from <u>Villeta</u> and 25 km from <u>Nemby</u> , which necessitates a separate plant only for this city) PYG 13 mln

Light rail train Asuncion-Luque

Length	15 km
Capex	USD 300 mln
Status	Feasibility study nearly completed
Next steps	Acquisition of land, then tendering

Route Naranjito – Nueva Aurora

It consists in 23 km of asphalt in rural and urban sections,

Capex: USD 30 mln,

This development will connect the region to the main corridors (south region of Paraguay)

Route PY 12 Centinela – Pozo Hondo (2nd phase)

It consists in 322 km of asphalt pavement and will allow the regional integration part of Bioceanico highway that connects Atlantic and Pacific oceans going through Brazil, Paraguay, Argentina and Chile.

Half of it is already constructed, the next part will be procured as a PPP. The design is currently under development.
Capex: USD 520 mln

El Salvador

PPP Unit



José Schafik Collazo Handal
 Director for PPPs
 National Agency for Investment and
 Export Promotion (PROESA)

El Salvador is a Lower Middle Income country with a population of 6.4 mln and a GNI per capita of 4,000 USD. Debt to GDP ratio stands to at 80%, which strengthens the need for PPPs.

The progress has been steady as El Salvador was 10th out of 19 Latin American countries in 2010, and 6th out of 21 countries in 2019. This good results have a positive impact on interest rates, structuring conditions, investors appetite and profile of investors.

El Salvador ranks especially strong in regulations and institutions. According to the World Bank, El Salvador thematic scores for PPPs out of a maximum of 100 points reach 55 in project preparation, 68 in procurement, 92 in contract management, and 75 in unsolicited proposals, which are all way above the global, regional, and similar income group averages.

Pipeline

Phase 1	Infrastructure rehabilitation, new technology installation - financing , operation and maintenance
Phase 2	Design, finance, build, operate and maintain a new cargo terminal
Revenues	Tariffs associated with air cargo rights, handling and storage; commercial real estate

The procurement has managed to attract investors although it took place during the Covid crisis, which proved the quality of the preparation.

New Administrative complex

Economic recovery after the pandemic is taking place as the pandemic had less impact than in other Central American countries. However, the pandemic has evidenced the need for increased interregional trade as a safety net to reduce impact of crisis, as had happened for instance in 2008 and 2009. El Salvador intends to play the role of middle-man as Mexico produces and transports goods to Panama Canal. In this context the framework for more integration between regional Southern Mexico and Central America is currently under development.

In general business rankings, El Salvador is not very well placed: 85 out of 190 for Doing Business (2018), and 98 out of 140 for the Global Competitiveness Index (2019). However, the story is different for PPPs: Salvador occupies 11th place out of 67 (2019) in the Infrascope Index developed by the IDB and the Economist.

- Number of PPPs in operations: 7
- PPP investment: USD 446 mln

Within the next 6 months, USD 350 M to be tendered.

Air cargo terminal

Capex phase 1 (brownfield):	USD 13 mln
Capex phase 2 (greenfield)	USD 44 mln
Tons/year (phase 1)	52,000 max
Tons/year (phase 2)	73,000 max
Trigger to phase 2	47,000 tons/year
Contract duration phase 1	15 years
Contract duration phase 2	20 years (i.e. total duration 35 years)

Capex	USD 120 mln
Contract duration	30 years
Contract type	Design finance build operate and maintain
Revenues	Availability payments (USD 318 mln) and real estate exploitation
Beneficiaries	7,000 public servants, 27 institutions
Project Value for Money drivers	Fiscal savings, increase in land value

Hachadura - Kilo 5 toll road

Border crossings, customs and non intrusive inspections

Cargo border transit crossing at La Hachadura, Anguiatu, El Poy, San Bartolo, El Amatillo

As no tolls are in place so far, EL Salvador is actually subsidizing freight transit through its territory which can be crossed in 4 hours.

Capex	USD 96 mln
Contract duration	35 years
Contract type	DBFOM
Revenues	Inspections, cargo tariffs, parking lots, cargo rights, handling and storage
Benefits	Logistics cost savings, service upgrade, better border crossing management



Border at La Hachadura

Capex phase 1	USD 86 mln
Duration phase 1	12 years
Phase 1 content	Bypass Cara Sucia
Phase 2 content	Overpass in Kilo 5 (with connection to Guatemala)
Phase 2 contract duration	18 years
Revenue	tolls and availability payment
Benefits	fiscal savings, upgrade in services, logistics costs savings
ESG	Toll house is located at the exit of boarder crossing, where tariffs are collected (essentially for cargo transport). Users who live along the road will use it but not pay for it. Tolls have not been in use in the country for 25 years, which increases the social sensitivity of the project.

ESGs in Airport PPPs

Are ESGs becoming a “licence to operate Airport PPPs”

Stephan Schwolgin and Jacques Follain

Achieving the 17 Sustainable Development Goals of the 2030 Agenda for Sustainable Development adopted by the United Nations in 2015, has become in recent years a priority for most major airports. As a consequence they have launched a lot of significant actions to address a majority of these goals.

The current Covid-19 crisis has accelerated, perhaps more in the airport sector than in any other sector, the global need to integrate SDGs into the management of all airports. There are many reasons for this, whether it be the global airport policy recommended by ACI, the various public obligations of each country in SDGs matters, but also the constraints imposed in the financing of airport infrastructure.

However today, it is clear that Airport PPP frameworks take into account only in a very limited way the obligations relating to SDGs. This raises many questions, including how to finance the investments and expenses necessary to an approach geared towards the SDG.

Nevertheless, most airports recognized the importance of Sustainability and the benefits of putting these policies into action. Although only a few airports have decided to follow an approach covering all 17 SDGs in their policy, it appears that the average airport and airport groups consider 11 to 12 SDGs more applicable for them with a core number of 6 SDGs which seems to be systematically followed.

The Concession SPVs, on their side, most often support a sustainability policy through a dedicated department within the operating

For example:

- *SDG4: Quality Education (Social)*
- *SDG6: Clean Water and Sanitation (Environmental)*
- *SDG7: Affordable and Clean Energy (Environmental)*
- *SDG11: Sustainable Cities and Communities (Environmental)*
- *SDG13: Climate Action (Environmental)*
- *SDG17: Partnership for the Goals (Governance)*

ESG, SDG or Sustainability – How the airport PPP face these challenges?

ESG and the UN Sustainability Goals attract growing attention in Sustainable Infrastructure and in PPP community in general. The matter is evolving and so are the terminology and the methodologies in reporting and benchmarking. In the particular case of airport PPPs the perspective is key but also made complex by its specific ecosystem.

Airport PPPs usually have a set-up as shown in following figure 1:

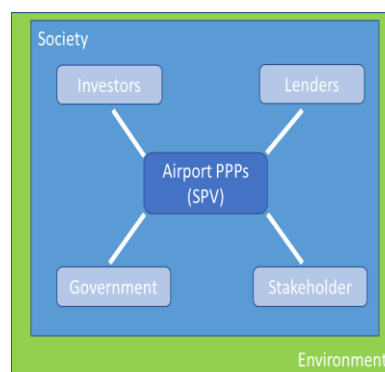


Figure 1: Airport PPP Ecosystem

However, we are convinced that once reliable measurement solutions are implemented, ESGs should become a

In an Airport PPP, the Equity investors or SPV (Special Purpose Vehicle) shareholders are identified as a or Concessionaire, the Operating Company, whether it is the Concessionaire itself or not which operate the Airport(s), the Lenders, and finally, the Regulator and/or Grantor of the concession which represents the public body awarding the PPP have to overcome the challenge of including SDGs in long-term contracts. This challenge raises many questions including how will achieving SDGs be measured and how this will be adapted during the concession, being understood that some sustainable activities are not always quantifiable.

Both Investors and Lenders also claim to pay attention to Environmental, Social and Governance Risks while investing in Airport PPPs. They have sustainable investments strategies ranging from impact investment, negative screening, or thematic investments. These strategies are very often part of their corporate guidelines. In doing so their challenge is to ensure that their strategy as regards ESGs is aligned and materialized in the Concession SPV so that they can fulfil their fiduciary duties and can also harvest better cost of capital and returns through ESG risk management.

This article is based on the results of a comprehensive analysis on how airport PPPs manage SDGs and ESGs, carried

company. As already mentioned, as a primary focus for airport operators, SDGs related to environmental matters are a top priority for airport concessionaires who are used to implementing actions such as carbon accreditation, energy saving and renewable energies, rain and wastewater management and environmental compensations, just to name a few. and environmental compensations, just to name a few.

For Governments and Regulators, which are often eager to demonstrate their commitment to the SDGs, the best way to ensure sustainable impact or performance would be to include these requirements in the concession agreement, unless they are embedded in their PPP and sectorial laws . However, it appears very challenging to include ESGs requirements in a long-term concession agreement as most of ESGs achievements related performance measurement remain difficult to be made clear. In addition, although deeply committed to the achievement of SDGs, many equity investors remain cautious when negotiating such obligations as unclear or and/or highly constraining objectives that may affect their returns.

standard in elaborating Airport PPPs contracts.

At this point it could be noted the People-First PPP approach by UNDAC (United Nations Disaster Assessment and Coordination) has shown clear progress es in other industries.

The price for a better world

Airport PPP groups and Experts agree unanimously that additional SDG related activities have an upfront investment requirement which need to be reflected in the business case of the respective airport concession. The industry will need to develop indicators and transparently report on ESG risk metrics dealing with materiality of ESG issues that might not yet have been addressed. Recent research es conducted by the authors of this article have shown that even if these activities are long-term, and might even outpace the concession period, they can have a financial benefit for the shareholders besides the gain for airport communities, individuals, and governments.

In this context, most of the airport PPP players, whether investors, operators, grantors or financiers admit that ESG and SDGs in Airport PPPs are here to stay and that a sustainability commitment can be called from now on as a requisite to **“a license to operate or hold an airport PPP”** in today’s world.

out by Stephan Schwolgin among major airports and airport PPP groups and the words of airport PPP experts -listed below- during the webinar organized by WAPPP Airport Chapter in June 2021, with the support of Airport IR and Modalis, to discuss the topic of ESG, SDGs and Sustainability in Airport PPPs.

WAPPP / Modalis – Airport IR Webinar panelists and moderator:

Melissa Pennycad (Managing Director, Institute for Sustainable Infrastructure)

Jill Doucette – CEO Synergy Enterprises – United Nations Institute for Training & Research – Modalis Expert Team

Serkan Kaptan – Deputy CEO TAV Airports Holding

David Stanton - Managing Director, Ontario Airport Investment Ltd (Ontario Teacher’s Pension Plan)

Roshnie Van der Zwan - ESG Manager, Finance Department, Schiphol Airport Group

Holger Schaefers - Sr. Executive VP, Global Investment and Management at FRAPORT AG

André Van Hoeck – Principal Investment Officer Infrastructure and Natural Resources –IFC




WORLD ASSOCIATION OF PPP UNITS & PROFESSIONALS

ROUND TABLE
HOW ARE AIRPORT PPPs MANAGING TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS?

Moderators: Melissa Pennycad, Managing Director, Institute for Sustainable Infrastructure & Jacques Follain, Chair of WAPPP Airport Chapter, with the participation of Stephan Schwolgin, WAPPP

 JILL DOUCETTE CEO Synergy Enterprises	 DAVID STANTON Managing Director Ontario Airport Inv. Ltd OIPP	 ROSHNIE VAN DER ZWAN ESG Manager Finance Department Schiphol Airport Group	 SERKAN KAPTAN Deputy CEO TAV Airports Holding	 ANDRÉ VAN HOECK Principal Investment Officer Global Executive VP Infrastructure & Management IFC	 HOLGER SCHAEFERS Senior Executive VP Global Investment & Management FRAPORT AG
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Wednesday 2nd June 2021 16:00-17:30 (CET) Online



Jacques Follain
Member of the WAPPP Steering Committee & Head of Airport Chapter



Stephan M. Schwolgin
WAPPP Member, Sustainable Infrastructure Enthusiast

PPPs and smart infrastructure

Thibaut Mourgues

What are smart infrastructure and smart cities?

Smart infrastructure is no longer just a buzzword but an operational reality. This has been made possible by technological advances in recent years in areas such as data collection processes, data treatment (artificial intelligence) and communication networks which are all part of the internet of things (IoT).

According to the Royal Academy of Engineering of the United Kingdom, "A smart infrastructure is a smart system that uses a data feedback loop to improve decision-making regarding a matter. A system that can monitor, measure, analyze, communicate and act based on data collected by sensors."

Based on the definition, the Royal Academy makes a distinction between semi-intelligent infrastructure (data is collected but the system does not make any decision ; typical example would be city traffic map); intelligent infrastructure (data is collected and support human decision process; for example, traffic information is provided to the drivers to help them adapt their itineraries); and smart infrastructure (data is collected based on which the system takes decision autonomously). Typical examples of smart infrastructures are smart networks (for example an energy transmission network) or smart buildings (when operations such as heating, lighting or security are handled by automated systems).

The traditional arguments in favour of PPPs remain true with regards to smart

Why the global surge of interest in smart infrastructure?

According to Nexus, the benefits are:

- Self control
- Cost efficiency
- Reliability
- Safety and resilience
- User interaction and empowerment
- Sustainability

Compared to traditional infrastructure, smart infrastructure is able to adapt to the changing needs and changing environment, to communicate individual knowledge to the network and to optimize the decision-making process in a way the human mind alone would not be able to achieve.

To succeed smart infrastructure should not be exclusively designed by engineers for technological benefits; on the contrary, it should be a tool to support cities master plans and long-term objectives for the benefits of all stakeholders (such as users, citizens, NGOs, service providers, City government and others).

More comprehensively smart infrastructure is part of a global move toward a more interconnected society. This includes trends such as e-government, e-governance, social inclusion, distance services and smart economies . In this sense, smart infrastructure is related to smart mobility (transportation networks with real time monitoring and control systems), smart environment (pollution control), smart services, smart governance (use of technology for design and delivery of services),

For this reason, PPP contracts should emphasis emphasize flexibility and make

smart people (creativity and innovation), smart living (improved quality of life), and smart economy (economic growth through technology).

The Smart Cities Council considers that smart infrastructure shall help cities to embody three core values: livability, workability, sustainability. This council led by private firms such as IBM or Huawei is a good example of the commitment of the private sector to support the move toward smart cities by providing technical advisory services and spreading best practices to the cities governing bodies.

According to a report of economic consultants, the global smart cities market size was valued at USD 98.15 billion in 2020 and is expected to expand at a compound annual growth rate (CAGR) of 29.3% from 2021 to 2028.

What PPPs for smart infrastructure?

PPPs being a method for delivery of infrastructure, they can be implemented with any type of infrastructure. The smart factor from the strict PPP point of view does not require any revolution in the concept of PPPs. In On the other hand, it is important to determine in which context and under which conditions PPPs are best suited to deliver smart infrastructure.

In practice, as analyzed by McKinsey, a considerable number of smart cities

infrastructure: when adequately designed and implemented, PPPs allow to alleviate financing constraints, transfer risks to the parties best suited to bear them, take advantage of private sector know-how and skills to reduce cost and delays and improve quality.

However, a particular emphasis should be paid to certain areas when talking of smart infrastructure. The specificity of the ICT is the extremely quick pace of technological change. When a road or a power plant can operate over decades with minimal requirement in maintenance, an ICT system is due to become outdated in a short timeframe. Obviously, technology firms are in a better position than the public sector to mobilize, fine tune and implement technology.

Cities need to understand the drivers of technological change as well as the gains and limitations of an intensive use of technology.

Contracts should focus on the results that are targeted rather than on a precise description of the means and the equipment to be implemented. Although the result-oriented mindset is a tendency of recent PPPs, this approach is vital in smart infrastructure projects. For one because cities may not have the expertise to assess by themselves the best technical solutions, and for two because the pace of change will render obsolete in the future the technical solutions that may appear best at one point of time.

sure that the private partner will be able to adapt the technical solutions with time. Contractual incentives, particularly in terms of remuneration, should guarantee that the private partner will constantly monitor market developments and envisage the deployment of innovation when it makes sense under all dimensions (users point of view, commercially, financially, etc.). In this context of constant change and adaptation, a cooperative approach based on mutual trust between the city (including other stakeholders such as NGOs and users' representatives) and the private partner becomes crucial to success.

Different types of PPPs may be structured in relation with to smart cities. The traditional model based on project finance, with the creation of a Special Purpose Vehicle that receives either payment from users or from the public Partner are to be considered when the project involves investment into assets that are clearly identified as well as the cash-flows associated with them. It allows for the mobilization of private funding and a strong transfer of risk. Besides this traditional model, the revenue sharing model is growing in popularity. Under this scheme, an ICT vendor implements a technological solution for a City and is repaid through the cost savings generated by the solution until the vendor has achieved pay-back, including a profit rate agreed in advance.

According to Paul Jacobson, PPPs should be examined under 2 axes: the revenue earning capacity, and the capex. The sweet spot for PPPs is formed by projects with high revenue potential and high capex. On the opposite, projects with low revenue generation and low or medium capex should rather be procured by means of EPC contract followed by a service contract if necessary.

projects have already benefitted from PPP contracts, especially in fields such as: energy management (distribution and grid, metering, street lighting, energy efficient buildings), network infrastructure, transport (car and bikes pooling, integrated multi-modal transport, etc.), traffic management systems, utilities management, CCTV and surveillance, as well as e-governance. This list will no doubt grow in the coming years.

Case studies for PPPs smart infrastructure

A vast literature is already available on smart cities. In order to give an idea to the reader who would be new to the subject, rather than analyzing in depth a few examples, we chose to mention a few projects, with internet links to go further, that illustrates well the diversity and the fecundity of the approach.

Project name	What it is	Link
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Air Louisville (USA)	Use data analytics to assess air quality and contribute to reduce asthma	https://Airlouisville.com
Amsterdam smart mobility (Netherlands)	Use of digital technology to manage traffic	https://amsterdamsmartcity.com
ZhengZhou smart community (China)	Develop a high tech smart community to support innovation and industrial development	https://www.h3c.com/en/d_202004/1283625_294550_0.htm
Street lighting (Surrey, UK)	Replacement of 66,000 street lighting columns	https://www.traffictechanologytoday.com/news/infrastructure/intelligent-street-lighting-solution-set-to-save-7700-tonnes-of-carbon-a-year-in-surrey-uk.html
Barcelona Gix (Spain)	Connectivity, wi-fi and optical fiber	https://www.barcelona.cat/capdesetmana/es/noticia/my-new-post-131_15788
Banque des territoires, smart city program (France)	Financing of smart cities innovative projects	https://www.banquedesterritoires.fr/smart-city-linnovation-au-service-des-territoires
Centre of operations, Rio de Janeiro (Brazil)	Coordinate emergency response as well as routine operational uses	https://www.centreforpublicimpact.org/case-study/ioe-based-rio-operations-center
Stokab (Sweden)	Fiber-optic broadband network and e-government	https://stokab.se
Mayor's office of new urban mechanics (Monum, Boston, USA)	Support to innovation and smart city mechanisms	https://www.boston.gov/departments/new-urban-mechanics
Smart element (Pune, India)	IT infrastructure, smart city operation centre and third party applications	https://punesmartcity.in/project/smart-elements/

Smart infrastructure has become a key component of the future of large and small cities at the global scale. PPPs are without doubt one of the best available instruments to design, finance, build and operate it to the benefits of all citizens as the expertise and creativity of private sector in this specific area is acknowledged by all and largely unrivaled.



The dangers of vanity projects



How much do some skyscrapers projects contribute to SDGs?

David Baxter

Recently I read a LinkedIn blog on Tanzania’s plans to build Africa’s second-tallest building in Zanzibar. The proposed building – called the Domino Commercial Tower - will be a \$1.3 billion 70-story behemoth tower that would hopefully draw tourism back to Zanzibar after the pandemic. The tower, full of luxury hotels and expensive apartments, it was said, would also be major source of employment for the citizens of Zanzibar. I felt compelled to comment that the money spent on this “vanity project” would be better spent on building schools, hospitals and social housing for the poor inhabitants of Zanzibar, rather than building an exclusive resort for wealthy and elite patrons from across the world. I apparently was not the only reader who felt the same about this vanity project. Over 182 likes and 48 responding comments were received, mostly supportive of my observation.

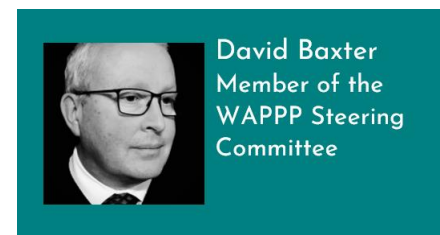
This response is indicative I believe of the global concerns that exist about mega vanity project trends, many of which are geopolitical in nature and which offer little economic or commercial benefit to the communities they are purported to help. This concern is especially true for PPP projects, many of which are proposed as Unsolicited Proposals (USPs), that are emerging around the globe. Vanity projects are typically projects that celebrate the “largess” of political and elite patrons and fall into the same category of projects that were built in Rome during the time of the emperors.

Modern projects of this nature (i.e. sports stadia, resorts, libraries, theatres, etc) offer “creature” comforts and can be a great source of pride, but often do not offer “value for money” and generally do not benefit the most socially vulnerable. A plethora of PPP “vanity” projects have emerged over the recent years that profess to offer economic prosperity and well-being, but which in reality are destined to fail because they are neither commercially or economically viable in the long run, which is a critical requirement for PPP projects that need to be sustainable, resilient and have a guaranteed source of revenue to succeed.

Unfortunately, a trend is emerging, especially in low-income countries in Africa and Asia to build projects - that are mostly proposed as USPs - that are not needed and which do not address countries specific sustainable development goals. Their often-political nature dooms them from the start as their benefits are not wide spread and mainly massage the egos of their proponents. Governments should do the following to countermand this emerging trend. In the case of “vanity” USP projects, these projects should undergo strong scrutiny and due diligence, require comprehensive feasibility studies, and never be issued as sole source procurements. Additionally, hard questions need to be asked about the value that these projects bring to the table.

It should also be asked of them whether they are a priority of the government, what benefits they will bring to the most vulnerable members of communities, and whether they are holistically sustainable and resilient. Apart from offering “value for money” they should also offer “value for the future” and “value for people” as described under the emerging paradigm of “People First PPPs” as promoted by the United Nations Economic Commission for Europe (UNECE). It is time that emerging economies focus on projects that are truly needed and which address the pressing needs of their citizens.

Additionally, all procurements should be competitive and transparent, a very difficult hurdle for “vanity projects” to surpass.



Making of a lean PPP

Naresh Bana

Public Private Partnership (PPP) is commonly described as an arrangement where the private sector supplies assets and services that traditionally have been provided by the government. In addition to private execution and financing of public investment, PPPs have two other important characteristics: there is an emphasis on service provision, as well as investment, by the private sector; and significant risk is transferred from the government to the private sector.

PPP project procurement by the public authorities is based on competitive bidding with well defined bid criterion and elaborate process for selection of 'Preferred Bidder'. There are also other procurement methods i.e. Swiss Challenge Approach, Unsolicited Proposals etc. The entire exercise of procurement is aimed at obtaining optimal benefits to the public authority against allocation of a public utility/infrastructure to be operated by a private party for a specific duration under specific conditions. All this while it is assumed that the private entity would optimize planning, construction, operations and maintenance of the infrastructure in all aspects.

That does not however seem to be the case always. Many a PPPs concessions, primarily in the first decade of this century, have been awarded at substantially higher costs than the cost of similar works undertaken as EPC projects in same area by the same public authorities. The logic often is given that (a) The quality of work is of International Standards (b) Private party has to pay back the debt and so they would have calculated the ideal cost of construction and operations. Similarly it is often said that the private party would maintain the asset better because poor maintenance will reduce usage of the asset, resulting in loss to concessionaire.

There seem to be extraneous forces at work to disturb the competitive spirit of the entire process of procurement, construction and operations of a PPP project. First, the consultants preparing the detailed project report (DPR) often over-plan the structure and quantities resulting in higher estimated cost of concession. The successful bidder then undertakes the 'value engineering' before 'financial close' is attempted. While it is expected to fine tune the cost of impending construction, it is seen many a times the cost of the project goes up by projecting latest traffic projections. One may state that so what, the higher cost of construction is to be paid back by the borrowing 'Special Purpose Vehicle' (SPV) so there should be no worry for the public authority. But the rot sets in right here. It is seen that such imprudent action often results in asset becoming a 'Non Performing Asset(NPA)', unable to pay back the debt raised.

So what can be done to avoid extravagance and wastage in planning and execution of PPP projects, in other words how to make PPPs lean and mean.

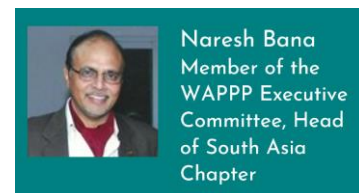
Here are some suggestions:

- Project DPR be prepared with great care, avoiding over-design, over-planning and extraneous items of work should never be considered. It may be audited by specialists for its quality/quantity of work, before the project being put to bid.
- Corporate expenses of Client, SPV, EPC and others need to be pruned down substantially. Huge bills are run to pay for the rents of SPV offices in premium locations and high salaries are paid for sustaining employees at such locations.

It is thus advised to have suitable policy guidelines to house SPV and other project specific entities in temporary/ low-cost locations preferably near the project site itself.

- The financial close to be a transparent process open to review by public auditors.
- The release of funds to SPV should be based on construction of measurable BoQ items or well defined technical parameters. Funding institutions should not employ their own exclusive set of professionals to monitor the work and assist in releasing the funds.
- Quality of construction and maintenance should be ascertained by public authority as in standard work procedure of the host country.

PPPs are procured by public authorities, funded by institutions primarily using public money and these are for the public use. It is thus logical that PPPs be liable for audit by public auditors. It may enhance the credibility of PPPs and increase their acceptability as right format for infrastructure development at right cost and in right time frame.



He is WAPPP Peer Recognized Highest Level International PPP Professional. Naresh played a pivotal role in the timely completion of Kashmir Rail Project, India (2008). His firm BBV Consultants LLP is engaged in PPP advisory/consulting in various countries. His team has published PPP Standard for Railways(2018) and he continues to lead the railway project team at UNECE, Geneva.

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