Structuring a successful PPP program

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1) A framework for successful PPP programs

Sustainable PPP programs

- Allow process to evolve
- Maintain program of opportunities
- Address project issues early
- Encourage development of capital markets
- Explore alternative financing solutions
- Continued stakeholder support

Procuring Successfully

- Collaboration between public and private sectors
- Strong stakeholder support and consistency
- Balance between risk and return
- Sustain existing sources of private finance
- Build transactional capacity
- Project definition, Feasibility and Financing options
- Capacity – public and private
- Process for approvals and closure

Lay the Foundations

- Leverage multi-laterals
- Stakeholder consultation
- Institutional Certainty
- Program development and prioritisation
- Focused regulatory change – eg. Land Acquisition
- Global precedent with local application
2) **Investor Perspective: Things which bidders and investors like...**

- **Certainty** regarding the bidding process
- **Predictable timing**
- **Transparency**
- **Creditworthiness** on the government / public sector side
- **Bankability** (getting it right upfront, including feasibility)
2) Investor Perspective: Things Which Bidders and Investors Do Not Like...

- Projects getting announced and cancelled
- Confusing / conflicting legal and regulatory requirements
- Project with pre-qualifications and then... cancelled
- Lack of transparency / information
- Bidding processes getting extended for long periods and then... cancelled
3) Regional spotlight: PPP programs in Asia

**Preparation of PPPs:**
- activities that precede the decision to launch a PPP procurement process
- consistency with government priorities and investment policies
- what assessments are conducted to define key features of the PPP project and its feasibility.

**Procurement of PPPs:**
- process for selecting a private partner to develop the PPP project
- transparency and fairness of the process and evaluation criteria for bids

Source: World Bank: Benchmarking PPP Procurement: Assessing Government Capability to Prepare, Procure and Manage PPPs
3) Regional spot-light: PPP programs in Africa

Score

Score
What problems do you face in developing PPPs? Why have there not been more PPPs in your cities?
Challenges of procuring PPPs

- Does sufficient private sector expertise exist to warrant a PPP approach?
- It’s not always possible to transfer life-cycle risk – a key benefit of PPPs
- Does the public sector have sufficient capacity and skills to adopt the PPP approach?
- PPP procurement can be lengthy and costly
- PPPs do not achieve absolute risk transfer
- The private sector has a higher cost of finance
- PPP contract management can be complex and troublesome

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PwC
If I do a PPP then can I sit back and relax?

Three stages of contract management:

1. **Procurement**
   - establish ground rules

2. **Development**
   - from award of contract to commencement of payment for full service

3. **Delivery**
   - provision of services for remainder of contract
Authority’s Perspective: Considerations During the Procurement Phase

- Contract Monitoring expertise on the project team
- Monitoring continuity
- Keep monitoring procedures simple
- Need to plan for the end of the contract e.g. handover procedure/protocol
- What aspects need to be completed before contracts are signed?
- Clear roles and responsibilities
- Creating a problem solving, not a blame culture
- New stakeholders / team members
**Issues During the Development Phase**

Role of Contract Manager:

- To monitor contractor’s progress towards meeting service start date
- To establish close working relations with stakeholders
- Clarification of service requirements
- Integration of new facilities/equipment into existing operations
- To determine trigger point for first payment to service provider
- Knowledge of the contract is critical
- Implementing and operating the authority’s direct monitoring system
- Monitoring service provision against standards
Issues During the Delivery Phase

Role of Authority:

• Monitor performance and calculate availability and KPI payments
• Comply with their obligations – eg land access, change in tariff
• Manage change
• Support the PPP Co
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