

PPP-TF RECOMMENDATION

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6. Infrastructure other than ICT

1. Design Build Transfer and Operate (DBTO) or similar.
2. Typically longer term contracts of up to 20, 25 or 30 years.
3. These include buildings, road ways and dry ports. Service provider may require third party financing. Roadways and bridge projects could be even longer
4. As with all PPP projects fees are earned by the service provider during the operation phase of the projects
5. Fees earned during service phase of contract NOT during the construction phase.

6.02 – Barriers to Trade

1. Need to align cross border applicable legislation
2. Need to align existing systems and processes which may be incompatible with existing systems and processes
3. Any Service provider should be seeking to minimise processing time
4. If possible, along a trade corridor repeat processes should be eliminated.

6.05 – Best practice model

1. The generic format would be DBTO,
 - a. Design (By Private Sector)
 - b. Build (By private sector)
 - c. Transfer (assets back to public sector) and
 - d. Operate (by private sector)
2. **Design** The design captures the innovation of private sector and allows exploration of potential solutions that may not have been considered.
3. It could be that the design is a joint exercise between the public authorities and the private sector, or a separate competition. If the latter then there needs to be some sharing of risk between the design team and the service provider
4. **Build** The build and associated risk remains with the private sector – there is an assumption that the private sector can best manage the risks associated with the build phase leading to a project delivered to time and cost.
5. **Transfer** Following successful completion of the construction phase the ownership of the underlying assets should be transferred to a suitable public sector authority or authorities, if such an authority does not exist then ownership of the assets should remain with the service provider until such time as such an “Authority” is set up. It is important that the asset is owned by the public sector in the event that the PPP is cancelled or the service provider fails the assets are already within the control of the public sector.
6. **Operate** The operation of the service should remain with the service provider for the duration of the contract (subject to performance and contract terms).
7. **Risk Register** A joint risk schedule should form part of the contract that clearly identifies the ownership of risks . At the lowest level no risks should be “shared” thereby giving clarity as to who is responsible for mitigating and managing risks
8. **Contract Term** assume the operating contract coincides broadly with the life expectancy of the asset
9. The Public Sector should retain the right to cancel the contract as a consequence of inadequate or non-performance. If the asset is still with the service provider a transfer clause is required for the Government to recover the asset.

6.06 – Unitary Charge (example of topics that could be included)

1. In order to minimise the barriers to trade the supplier should be paid according to a robust payment model.
2. The service provider should be paid according to performance and availability of service.
3. There should be no direct association between the level of charges at the border posts dry ports etc, and the receipt of income by the service provider.
4. Rather the number of units charge and the accuracy of that charging should be the clear indicators used to pay the service provider against an agreed initial payment schedule.
5. Any bonuses must be limited in scope and financed from the use of best practice operations rather than through perceived harassment or the slowing down of traffic creating a trade barrier.
6. With direct charging the income collection by the service provider is vulnerable to
 - a. alternative routes that enable their service points to be bypassed.
 - b. National and international infrastructure and trade facilitation policies
7. The performance mechanism associated with the unitary charge should take into account any such polices that affect the usage and payment of dues by users on the service provider.
8. The unitary charge may comprise budgetary sourcing from more than one national entity. In such circumstances it may be case that direct charging is less risky for the service provider

6.07 – Performance Models (some examples that could be used as a performance model)

1. On the assumption that users are not directly charged and an availability of asset seems easiest solution.
 - a. Roads can be done on number of lanes availability or average time travelled between two points
 - b. Ports on number of docking spaces available, or turnaround times.
2. More analysis is probably required on specific projects to understand the benefits of one approach over another.
3. Government sets a KPI (for the operator / service provider)
4. Service model (how should the Service Provider respond to customers)
5. Monitoring and evaluation mechanism

6.08 – Affordability

1. To be determined by national (or regional or supra-national) budget.
2. Before the project commences the Public Authority needs to secure the revenue funding required to support the operational phase of the project.
3. In some cases the charges will be levied on members of the public but there may be a need to subsidise the operation.
4. This will normally be planned as any direct charges will be regulated and are unlikely to cover the full cost of the operation.
5. It may be that resources may be pledged rather than awarded. (example of a trade corridor concerning multiple countries)

6. As part of the affordability analysis any such resources should be clearly identified, as the sponsor/donor may withdraw their support and render the project unaffordable.
7. If money is not available, such a scheme would have to be self-financing. But if cost of use becomes a barrier to trade, should not be a PPP.

6.09 – Economic Assessment (Value for Money – VFM / economic assessment / environmental)

1. A number of options should be evaluated to determine the option that provides the best value for money.
2. This should include an economic impact study (not just impact of the facility itself, but also the impact on the economy itself [the local area, for example])
3. This is undertaken using discounted cash flows and by calculating an equivalent annual charge.
4. VFM not always the affordable option. Particularly if you think about adding in transfer of asset costs into the contract
5. Estimation of maintenance / service updating costs for delivering the product (especially important for longer-term project) – i.e. the whole life cost (build, maintenance, renewal)
6. Environmental impact

6.10 – Contract Length

Long enough for the asset to generate suitable income for the private sector and allow secondary investments – thus making it an attractive investment prospect.

Keeping in mind that it should not become a barrier to trade.

Overall compensation to the Service Provider needs to provide them with a *reasonable return*.

Public sector aspects to be brought in here.

Contract needs to be long enough to allow private sectors to want to participate in PPP; but also important for public sector to look over how contract is managed/operated so that when and if they take over the project, they will have been able to absorb the aspects that make it work in the first place.

Length of contract should depend on the type of PPP project (see below).

6.11 – Asset Ownership (Public)

As far as possible assets should be transferred into public ownership as soon as possible following construction. Depending on the type of PPP (DBOT may transfer ownership a later time; but many recent PPPs are looking to have the transfer of ownership at an earlier stage)

1. Important to consider local legislation
2. Facilities such as ports may not be able to be held as private sector assets
3. Legally the private sector may not be able to deliver certain services –
 - a. Perhaps some example to show why this is important
 - b. (if legislative environment is not taken into consideration, it might be perceived as a barrier to bidding for the PPP)
 - c. (a PPP service may start and later be proven that it is actually not a service which can be provided by the private sector – health services, for example)
4. Therefore consideration must be given to revising local legislation
5. Risks associated with the physical assets remain with the service provider regardless of ownership

6.12 – Communication and integration of ICT (Information and Communication Technology) processes within the PPP with wider Government ICT. (Trade-Facilitation-Infrastructure projects that have ICT aspects; these aspects need to be considered early on. [private partner not necessarily an ICT expert; the ICT system may perhaps not be compatible with public systems; etc.])
The following need to be addressed

1. Who will own the ICT.
2. Who will own the licences (government)
3. can the ownership of the licences be transferred (should be yes)
4. Who will own the data (should be Government)
5. How will the data be transferred

7.3 Governance

Paloma BERNAL (good governance)

TO BE ADDED

7. ICT (Information and Communication Technology) Infrastructure

1. Eg single-window
2. Eg E-procurement systems
3. Eg CCTV/identification cameras/charging cameras

7.02 – Barriers to Trade

1. Incompatible systems – failure of systems to talk to one another – lack of a genuine single window and the time / cost associated with that.
2. User Charges- entry/processing/registration charges set a level that may discriminate against SMEs and local service providers,
3. Charges set by supplier (service provider) rather than controlled and capped by a public authority
4. An unexpected consequence of contractual performance and payment causes the Operator behaving in a way that maximises their revenue that slows down or impedes trade

7.04 – Best practice model

Design, Build, Implementation, Transfer, Operate

- **Design** System to integrate appropriately with related wider government systems. System to reflect local conditions, ie reliable power supply/back up power supply/ robust kit, secure comms (possibly satellite)
- **Build** Supplier to recommend and supply kit to Authority. Supplier to take risk on compatibility issues regarding the recommended kit.
- **Implementation** Supplier to install all equipment and commission the system.
 - The supplier may have a simple support contract to maintain the ICT
 - or may have a wider brief to provide the full service or part of the service.
- **Transfer** Following build and implementation all hardware and communications equipment to be transferred to the ownership of the authority.

Risk Management

- Ideally the Public Sector should contract separately for the wider service delivery and restrict the “PPP” contract to the technical delivery of the system.
- All hardware, software and communications to be “recommended”, provided and implemented, by the contractor
- The System implementation and operation should be integrated with existing government systems, based on fixed fee for implementation and operation.
- Performance and availability mechanisms should be in place with the opportunity for a supplier to earn back some of the income lost by improved performance etc.

7.05 – Affordability

The system implementation should be self financing from additional revenues generated. If there is a net cost then the system should not be introduced. The Supplier should be paid a pre-agreed fee or set of fees. Any element specifically tied to the generation of additional revenues should be capped to ensure that supplier does not generate super profits by operating the service on behalf of the public sector.

7.06 – User charges

1. Ideally use a unitary charge payable by government and subject to a performance and availability mechanism
2. Transaction charges to the user – these may need to be limited so as not to impede trade and should be set by government and not be linked to the cost of the contract.
3. Otherwise there is state shadow charging,

7.07 – Element of Public Charging (availability and performance)

DELETE

7.08 – Performance Models

Availability of the system – and ability to handle a specific amount of traffic at anyone point. Seems that it would be acceptable risk to the contractor – although this may limit the ability to future proof the technology (for example if trade doubles beyond expected growth over the contract period)... although in that scenario you could define server response times, or some of the other aspects that I've seen with TRIPS (although we can't mention specific software under pain of death!)

7.09 – Value for Money

Again – there may be a dichotomy between affordability and VFM.

7.1 – Contract Length

1. PPP is a poor choice for long term PPP contracts and typically ICT contracts are shorter than Infrastructure projects due to the rapidly changing pace of technology.
2. ICT service providers will not typically take on the risk of technological change after the first “refresh (normally approximately 5 years and certainly no more than 10 years.
3. Typical Contract lengths
 - a. Three to Five years (departmental or local projects)
 - b. Five to Seven years Large (departmental and expensive projects)
 - c. Eight to ten years (large national ICT project)
 - d. Ten to fifteen years (Major very expensive nationally important ICT projects)
4. The smaller the ICT component and the larger the service domain element the more the likelihood is for a five year contract with possible extension

and that trade software would need to be mobile technology for smaller traders – particularly in Africa where mobile technology is more mobile based than in say the UK where there is a greater proliferation of land based internet technology.

7.11 – Asset Ownership (Public)

7.12 – Communication and integration with other ICT

8. Development PPPs

Development PPP are those Public Private Partnerships where Public money (such as USAID) is combined with private monies (from companies, Foundations, NGOs) in a joint fund to achieve a development objective. Typically it may be capacity building, civil society system strengthening, health delivery programmes.

8.01 – Barriers to trade

No Implication Development PPPs should lead to a more transparent environment

8.03 – Best practice model

A development PPP may be used to train Customs and Revenue officials

8.04 – User charges

These programmes are normally free to the recipients . Contracts are let to third parties to deliver the programme on behalf of the Fund Partners. The service delivery may be through training, or through technical support and advice.

8.05 – Performance models

Contracts payment will be made to the service provider. The contract will have a performance mechanism based on the quality of service as assessed by the users and/ or and will be subject to outcomes achieved as a consequence of the service provided. For example increased revenue collection

8.06 – Contract length

These PPP programmes are relatively short from a few months to three to five years(although in the health sector they may be as much as 7 years)

8.07 – Asset Ownership

There are normally no significant assets associated with a development PPP.

8.08 – Communications and integration with ICT

Development PPPs often use computers and related software. A key issue is to ensure that any such training would be undertaken on appropriate platforms.

9. Hybrid / Blending / Triangular PPPs

1. PPPs where there is not going to be an attractive enough return for the private sector, yet this particular piece of infrastructure is seen as a vital economic growth enabler?
2. These are PPP projects where there is a mix of private sector delivery and donor funding. The objectives of the Donor(NGO) and the service deliver are likely to be complementary.
3. Is the provision of an effective dry port in a particular location. However the private sector is seeking a commercial return whilst the donor might not be. In which case they would follow the standard model for a PPP.
4. The donor/NGO or Foundation may be guaranteeing a loan which will result in the cost of the loan falling or a loan being made in the first instance. ,
5. Only the private sector is only financing a proportion of it, therefore they need to recover less costs – and thus the contract is more affordable.

9.02 – Typical Characteristics

An NGO or foundation provides third party financial backing to make a PPP affordable. For example a Charity may construct or run part of a facility without any onward charge to the users or government and the financing is all donor based

9.03 – Best Practice Models

9.04 – Surpluses Generated

Suitable profit sharing model to encourage the private sector to push beyond their income ceiling