

Relevance of Public Private Partnership (PPP)

- Infrastructure shortages a major constraint to further economic development
- Government budget unable to support required financial needs
- Heavy time and cost over runs in completion
- Poor delivery of services under public management
- Poor operational and financial performance in public management

Hence a need for partnering with private groups

Rationale for PPPs

- Increasing expectations
- Increasing volumes
- Severe budgetary constraints
- Lack of citizen focus in public delivery
- Inefficient operations – Constraints of public management
- Technological changes
- Have virtually forced greater use of the private sector

PPP Approach

Goal

- **Attract private capital and efficiency for infrastructure projects**
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Need

- **Lack of Budgetary Resources**
 - **Need to improve efficiency in service delivery**
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PPP Approach

- **Private Sector contribution for:**
 - **Financial investments**
 - **Management practices**
 - **Efficiency in service delivery**
 - **Public Sector limited to:**
 - **Financial gap funding: Act as a Catalyst**
 - **Providing institutional commitment to project**
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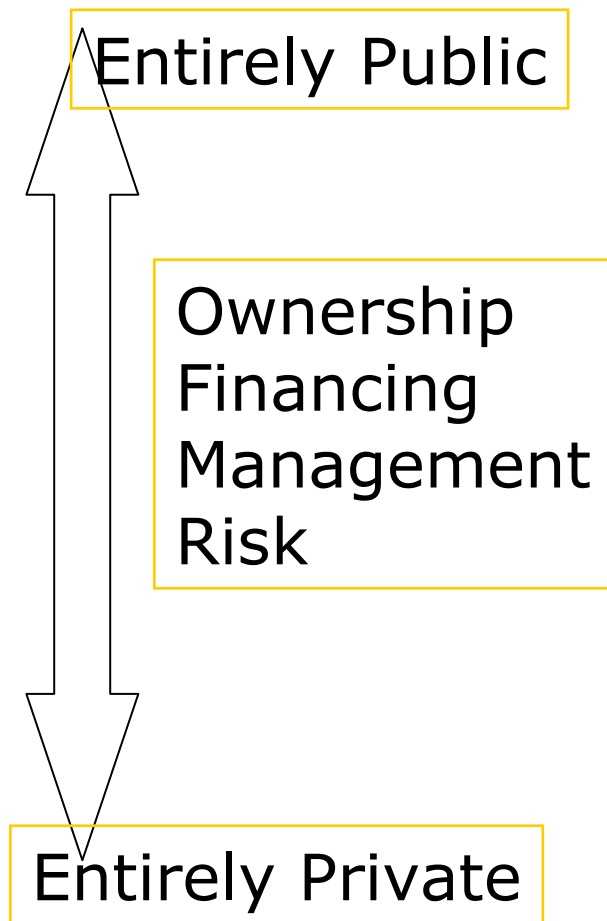
Advantages

- **Attracts market investments**
- **Reduces cost to public sector**
- **Improves service delivery**

PPP - A Common Thread

- Leverage limited public funds
- Reduce life cycle cost
- Develop & execute more projects on sustainable basis
- Structure projects
- Supplement Private funds with public funds
- Private intervention to make deliver efficiently
- Private funding thereby get viable returns

Range of Options



1. Public Supply
2. Service contracts
3. Management contracts
4. Lease arrangements
5. Concessions
6. Build – Operate - Transfer
7. Joint ownership
8. Private supply

Differences with regard to

- Ownership
- Planning and operational responsibility
- Financing
- Revenue retention
- Risk allocation
- Regulatory requirements

Analysis

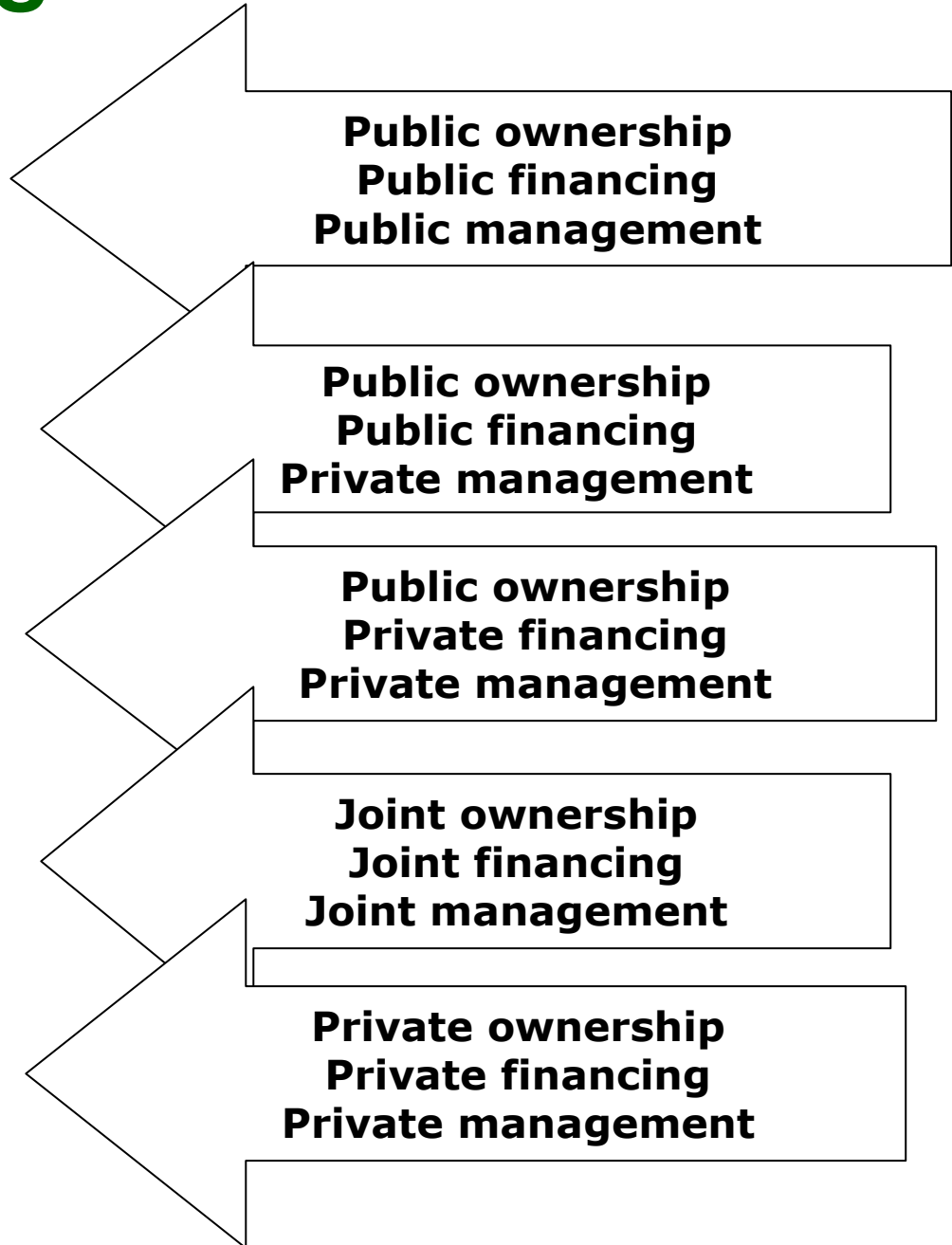
Public Supply
•Government Dept
•Corporations

Service Contracts
Management Contracts
Lease contracts

Concession contracts
Build-Operate-Transfer

Joint Ventures

Outright Sale
Private supply



Success of PPP

- **Success of PPP depends on (amongst various factors)**
 - Demand for the services/goods assessed
 - Political commitment to the project expressed
 - Administrative and legal framework and readiness to meet requirements
 - Adequate project related data
 - provide information required to take informed decision, reduce risks and uncertainty
 - level of project development depends on the intrinsic strength and viability of the project
 - technical, environmental, social, financial, legal aspects
 - risk identification and mitigation
 - viability and bankability

Issues in selecting form of private participation

- Technological characteristics of the sector
- Current condition of the sector
- Social objectives
- Strategic view on ownership of assets
- Managerial capability
- Regulatory capability

Role of the Government & Public Sector

- Defining PPP Parameters
- Monitoring performance
- Coordination
- Safety and environmental monitoring
- Establishing regulatory system
- Strategic planning

Role of the Private Sector

- Technology Adaptation
- Financial Management
- Operational Efficiency
- Marketing Network