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Donor Support for Public-Private Partnership (PPP) Units

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Where's PPP Gone Wrong in the Past?

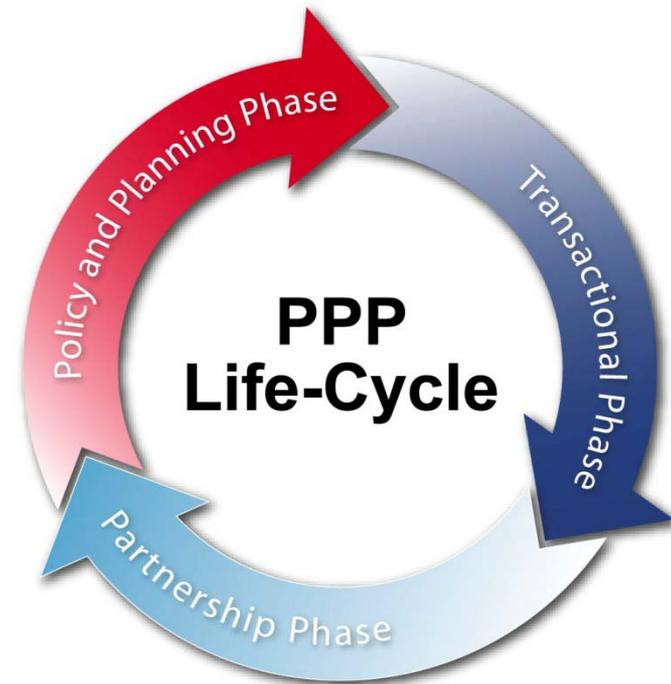
- Improper design of PPP Programs
- Poor legal framework and enforcement
- Weak institutional capacity, political commitment and PPP strategy
- Poorly trained leadership and staff
- Lack of thorough technical, financial and economic analysis
- Inappropriate sharing of risk
- Lack of competitive procurement
- Poor communication and public resistance



Three Phases of the PPP Lifecycle

Three Phases

- Policy and Planning
- Transactional
- Partnership





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What Can Donors Do?

Some Keys to Success!

- Provide technical assistance at key vantage points throughout the PPP Life Cycle
- Conduct training and capacity building of ALL stakeholders
- Help communicate the PPP message



Technical Assistance During Phase 1: Policy and Panning

Technical assistance to Central Unit is most logical place for Donor support

- Importance of proper design of a PPP Program cannot be overestimated
- Donor can be of great value in helping to develop a transparent PPP and sector framework that is clearly transparent and coordinated with other institutions



Technical Assistance During Phase 1: Policy and Planning

Several illustrative Phase 1 tasks include:

- Initial establishment of organization's mission, objectives, scope and structure
- Clear definition of managerial and technical roles and responsibilities
- Assistance in developing the legal and regulatory framework
- Coaching the leadership in making informed decisions and strategic choices about the direction and mission of the organization
- Developing standardized documents, including toolkits

- (CASE: In 2002, for example, Gdansk Transport Company obtained the concession to finance, build and operate a section of the Autostrada A1 from Gdansk to Torun. However, the Concession Agreement could not be signed because key piece of PPP legislation was missing.)



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Technical Assistance During Phase 2: Transactions

- Donor understandably hesitant to get involved in some aspects of transactions (e.g., procurement, evaluation of bids, etc.)
- Donor involvement could help governments make more informed decisions and ultimately make PPPs work



Technical Assistance During Phase 2: Transactions

- Donor could assist with:
 - Providing assistance in transaction management and scheduling,
 - Developing clear and substantive feasibility studies,
 - Defining the balance of financial obligation between the involved parties,
 - allocating financial risk and mitigation techniques,
 - Identifying performance measures,
 - Identifying targeted subsidies,
 - Comparing and contrasting various contract governance structures



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Technical Assistance During Phase 3: Partnerships

Donor could assist with:

- Contract monitoring and oversight
 - Help to ensure that services specified in the output specifications are being provided and ensure on-going affordability, VfM and appropriate risk transfer



When it Comes to Providing Technical Assistance

- Central Unit support is critical but also support to the Satellite Units.
 - Without the satellite units becoming totally engaged in the process, the process can easily break down
- Leadership and staff must have a clear understanding and buy-in of the changing balance of public and private roles and responsibilities and the move from input based to output based contracting



Donor Assistance in Training and Capacity Building

- No question: training is key to success!
 - How do I Lead Teams?
 - How do I Manage Projects?
 - How do I learn the Basics about the PPP Process and the technical, financial, economic and risk factors involved?
- Donor can help by orchestrating timely, well-constructed, well-conceived training strategies and programs!



Training and Capacity Building (Continued)

Essential to train key stakeholders in the process:

- Central PPP
- Satellite Units in Line Ministries
- Commercial Sector
- Service Providers/Contractors



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Donor Assistance to Devise and Implement a Communications Plan

- Widespread public opposition to a PPP project can prematurely end the project
- The absence of knowledge of the process and/or an assessment of willingness to pay can lead to public dissatisfaction, and even violent protests
- Donor can dramatically help by devising and implementing a stakeholder communication program for PPP Central Units

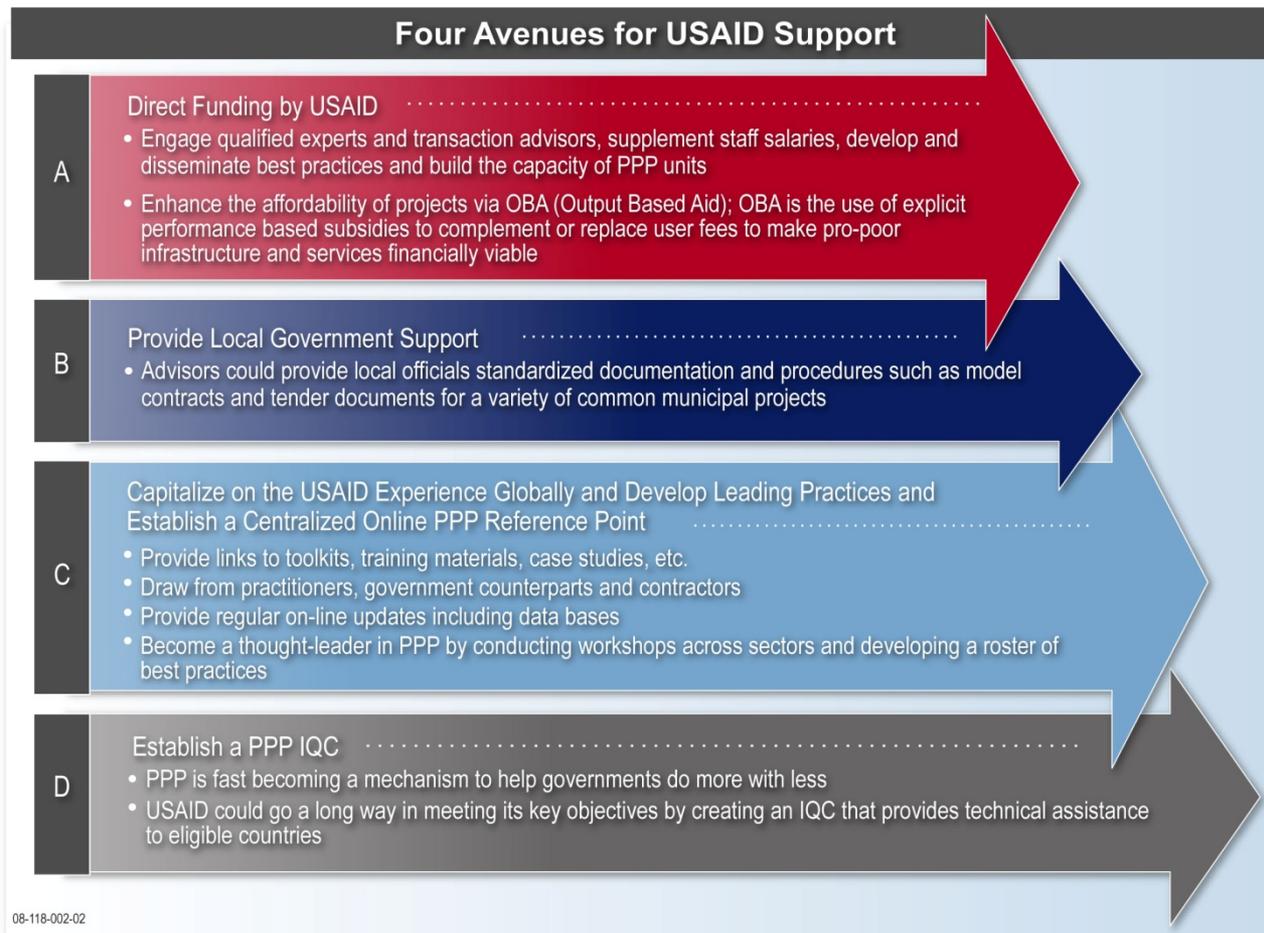


Donor Assistance to Devise and Implement a Communications Plan (Continued)

- CASE: In 1999, the Bolivian government privatized the water system in Cochabamba by granting a 40-year concession to an international consortium called Aguas del Tunari
 - Rate structures were immediately modified, which resulted in increases of up to \$20 in water bills for local families, many of whom often earn as little as \$100/month
 - In October 1999, groups gathered in protests, which led to an outbreak of violence, when the Bolivian army killed as many as nine, injured hundreds and arrested several local leaders
 - Finally, Aguas del Tunari announced that the consortium was withdrawing from the project



Four Other Avenues for Donor Support





So What Is Our Message?

elp to Build Strong PPP Programs:

- 1: Provide specialized technical assistance through the entire project life-cycle to Central and Satellite Units
 - Approach PPP infrastructure development as a complete program rather than single dimension ad-hoc transactions
- 2: Nurture leadership and staff capabilities through intense training and capacity building
 - Build and nurture PPP institutional capacity both within and outside of the Central Units (e.g. Satellite units and PPF)
- 3: Promote strong stakeholder communication programs