



Strengthening Private Sector Participation for Infrastructure in the Pacific Region

PPP Project Selection and Project Design
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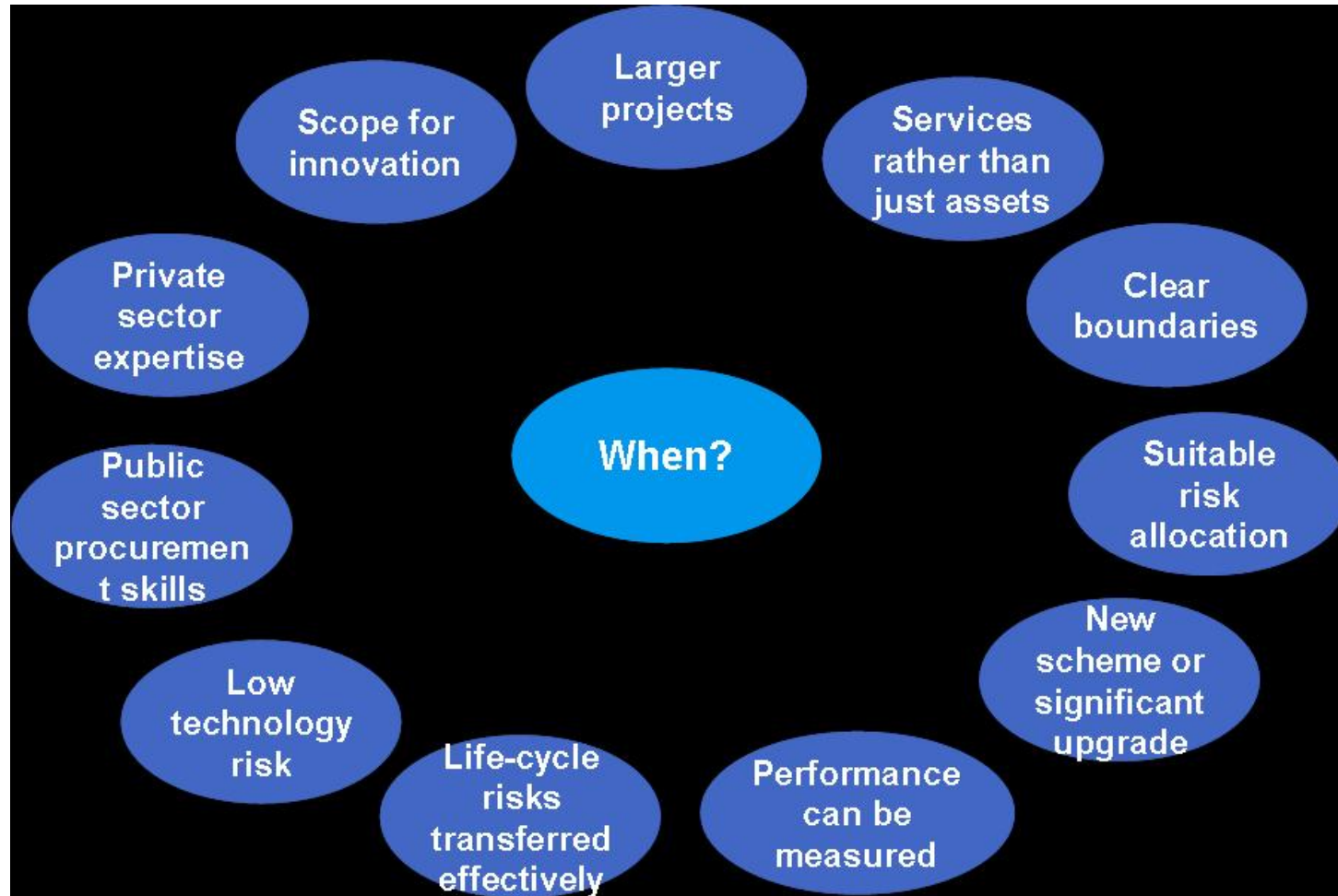
November 2008

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Agenda

- ▶ What Makes a Good PPP Project?
- ▶ PPP Delivery Options
- ▶ Project Selection and Design
- ▶ Service Delivery
- ▶ Preliminary Assessment

What Makes A Good PPP Project?



“Strong” PPP projects

- ▶ Schools
 - ▶ Hospitals
 - ▶ Prisons
 - ▶ Toll Roads
 - ▶ Government accommodation
 - ▶ Street lighting
 - ▶ Waste Management
-
- ▶ All of these projects transfer substantive **long-term** risk to the private sector
 - ▶ Projects where risks are **primarily in construction phase** are perhaps better delivered using alternative approaches

Typical Project Characteristics - Traditional and PPP

Traditional

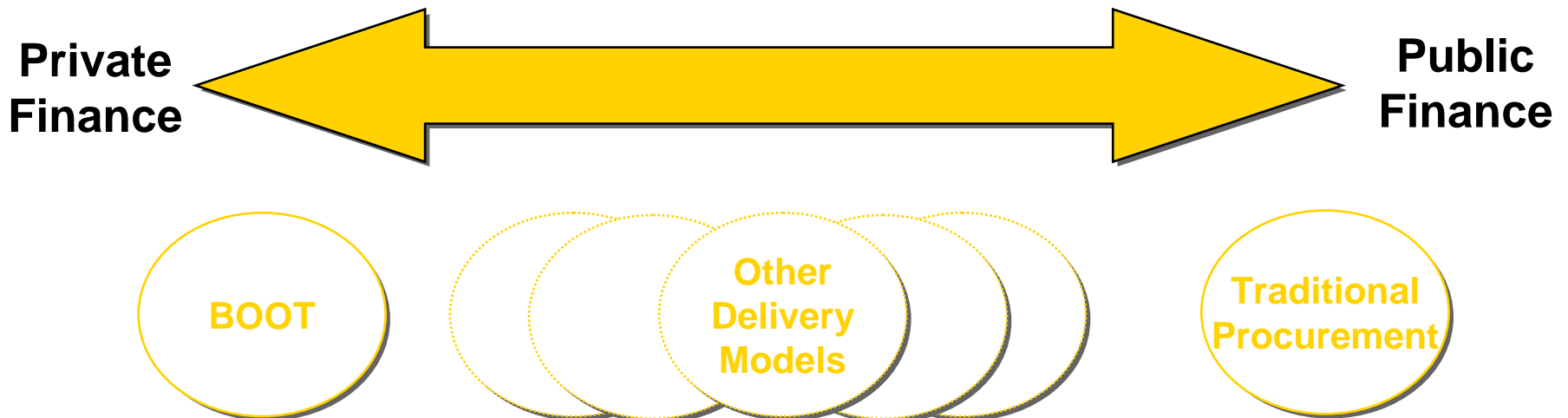
- ▶ State purchases an infrastructure asset
- ▶ Short-term design and construction
- ▶ Input-based specifications
- ▶ State retains whole-of-life asset risk
- ▶ Payment profile has spike at the start to pay
- ▶ State may be liable for construction
- ▶ State operates the facility
- ▶ State manages multiple contracts over life of the facility
- ▶ No ongoing performance standards
- ▶ Useful life less defined

PPP

- ▶ State purchases services delivered through infrastructure
- ▶ One long-term contract (20+ years) integrating design, build, contracts finance and maintenance
- ▶ Output-based specifications
- ▶ Private sector retains whole-of-life asset risk
- ▶ Payments begin once the asset is commissioned; payment profile for capital costs, with low ongoing costs is relatively even, reflecting the level of service provision over the longer term of the contract
- ▶ Private contractor responsible for construction time and time and cost overruns cost overruns
- ▶ State may or may not operate the facility
- ▶ State manages one contract over the life of the facility
- ▶ Performance standards in place; payments may be abated if services not delivered to contractual requirement
- ▶ Useful life and handover quality defined

Identification of Procurement Models – Key Requirements

1. Model needs to support Government's key objectives
2. Must be deliverable – market appetite, precedent transactions
3. Must meet Government's preferred risk allocation



PPP Project Selection and Project Design

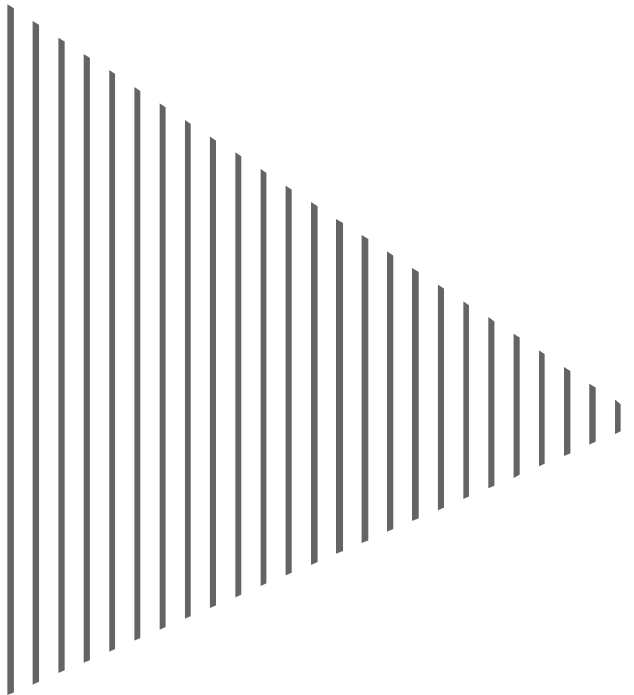
- ▶ Assessment of the Project Delivery Options including development of Project Resource Plan
- ▶ PPP forms:
 - ▶ Traditional Design and Construction (TDC)
 - ▶ Operation and Maintenance Contract (O&M)
 - ▶ Lease - Develop - Operate (LDO)
 - ▶ Build - Own - Maintain (BOM)
 - ▶ Build - Own - Operate - Transfer (BOOT)
 - ▶ Build - Own - Operate (BOO)

Service Identification

- ▶ Identification and scoping of the service requirement
- ▶ Policy context and strategic fit
 - ▶ Project innovation
 - ▶ Robust business strategy aligned with government objectives
 - ▶ Scope fit with strategy and program
 - ▶ Governance framework fit for purpose
- ▶ Identification of potential options to meet service requirement

Preliminary Assessment

- ▶ Refine Project Options
- ▶ Identification of the Project Delivery Options and Preliminary Analysis
- ▶ Business Case and Stakeholders
 - ▶ Clear and shared outcomes
 - ▶ Understanding of scope
- ▶ Preliminary Financial / Affordability Analysis
- ▶ Preliminary Risk Analysis
- ▶ Readiness for Business Case



Thank you

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