



SEETO PPP WORKSHOP
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THE GOVERNMENT'S ROLE

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Introduction [the don'ts] (1/3)

In establishing PPP, the Governments. Should not consider it as a way for:

- losing power for politicians
- reducing influence on public
- intervening on employment policy
- increasing risk of public debt
- establishing new “financial relations with private sector”



Introduction [the do's] (2/3)

They should rather consider it as a way for:

- allocation of responsibilities to where the public sector and the private sector are most effective/efficient
- freeing up scarce resources for other social goods/programmes (health, education, social security, national defense etc)
- reduction of inefficient state monopolies and relevant high costs
- opportunity to attract foreign capital and relevant investments
- providing better quality of service to the public and earlier in time



Introduction (3/3)

For these reasons, the governments should take the necessary steps to:

1. protect community welfare
2. prepare proper planning and policy making
3. provide adequate legal and institutional framework
4. execute act as facilitator
5. proper contract award and relevant conditions
6. act as regulator and monitor project



1. Protection to Community Welfare

- Optimise economic impact of infrastructure
 - Embark on economically viable projects
 - Assess impacts during operation
- Protect the environment
 - Establish EIA study before and require implementation of mitigation measures
- Ensure public participation
 - Inform related communities for benefits and anticipated results
 - Involve communities in consultation during EIA
- Managing land uses and resettlement, if necessary
- Ensure safety and security during construction and especially during operations
 - High safety and security requirements to be respected



2. Proper Planning and Policy Making

- Infrastructure development strategy prepared
- Transport demand analysis available for 20 – 30 years
- Social and private feasibility studies executed (COBA, EIRR, FIRR, etc.) for projects
- Environmental impact assessment carried out for projects
- Projects prioritised according to financial results
- Risk analysis carried out



3. Provide Adequate Legal and Institutional Framework

- Suitable legal framework necessary, but a specific law on PPP is not obligatory
 - law for private investment
 - law for competition
 - taxation law
 - law for foreign investments
 - contract and corporate law
 - labour laws
 - BOT law / PPP law
 - sufficient constitutional provisions regarding private property
- Institutional framework
 - set up relevant secretariat or authorities to handle PPP projects – clear responsibilities
 - establish training for new skills in relevant authority
 - legal expertise, financial expertise, contract management expertise
 - technical expertise, performance evaluation
 - impact monitoring expertise
- Set up a regulatory and monitoring authority (see below)



4. Act as Facilitator

- Establish transparent and open procedures, including full information to all concerned parties
- Select bankable projects
 - Detailed financial feasibility study
 - Sensitivity analysis considering alternative tolls
- Provide government support to enhance feasibility of projects
 - Tangible support:
 - Direct financial support
 - Guarantees
 - Sharing traffic risk
 - Intangible support:
 - no competitive project
 - extend concession period
- Residual risk / contingent liability
 - Political stability, good macroeconomic rating
 - Credible regulating framework
- Enhance capacity of private sector
 - The relevant infrastructure market should be available or capable to collaborate with foreign partners



5. Proper Contract Award and Relevant Conditions

- Prepare likely contract
- Define accurately scope of work
- Define criteria of selection
- Define performance indicators for construction, maintenance, operation
- Conduct a fair bidding process, usually in 2 stages:
 - preselection of preferred bidders
 - tender offer by preferred bidders



6. Act as Regulator and Controller

- Avoid influence of past regulations
- Monitor that EIA mitigation measures are implemented
- Regulate the creation of new monopolies by avoiding mergers and acquisitions that create dominant position in market
- Monitor financial performance of project
- Monitor “risk – return on investment” relationship to avoid alteration of risk sharing agreements
- Monitor technical aspects during construction (independent engineer)
- Monitor that performance indicators are respected
- Monitor wider impacts from project

Secret for success: Failure is our best teacher