

ICPAK - FINANCIAL MANAGEMENT & REPORTING CONFERENCE FOR COUNTIES - 2013

**Presentation
by
AMISH GUPTA**

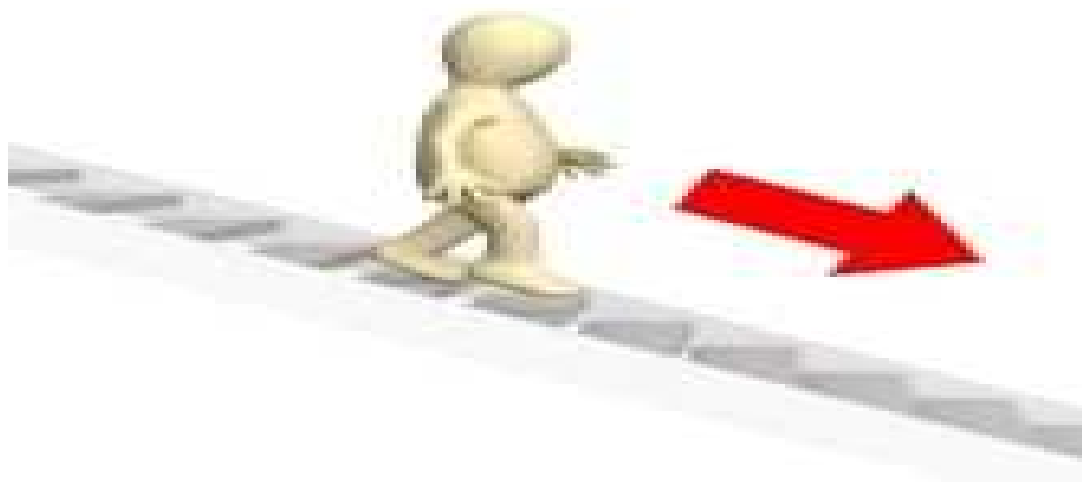
April 2013

Public Private Partnerships

Strategy for Growth & Competence



Intro Impact ? Back to Basics



Part 1

The Public Private Partnerships Act, 2013

AN ACT of Parliament to provide for the participation of the private sector in the financing, construction, development, operation, or maintenance of infrastructure or development projects of the Government through concession or other contractual arrangements; the establishment of the institutions to regulate, monitor and supervise the implementation of project agreements on infrastructure or development projects and for connected purposes

PPP Committee

- 1.Principal Secretary Finance – Chairman**
- 2.Principal Secretary – Co-ordinator of GOK functions**
- 3.Principal Secretary-National Planning**
- 4.Principal Secretary-Lands**
- 5.Principal Secretary-Country Govt**
- 6.Attorney General / Representative**
- 7.4 Persons not public officers**
- 8.Director (Secretary)**

PPP Unit

- 1. Within the State department relating to finance**
- 2. Secretariat and Technical Arm of the PPP Committee**
- 3. Resource centre, civic education, capacity building, projects, guidelines, tendering**
- 4. Director & Staff**

PPP Node

- 1. Contracting Authority (inc County Government) planning to enter into PPP shall establish PPP Node.**
- 2. Node to identify projects, appraise projects - legal, regulatory, social, economic and commercial viability**
- 3. Node to ensure compliance with Act, do tendering, monitor implementation**
- 4. Liaise with key stakeholders, oversee management of project, reporting**

PPP Arrangements – 1

- 1. Management Contract (< 10 years)**
- 2. Output Performance Based Contract (< 10 years)**
- 3. Lease (< 30 years)**
- 4. Concession**
- 5. Build-Own-Operate-Transfer (< 30 yrs)**
- 6. Build-Own-Operate (specified period)**
- 7. Build-Operate-Transfer (< 30 yrs)**



PPP Arrangements – 2

8. Build-Lease Transfer (specified period)

9. Build-Transfer-Operate

10. Develop-Operate-Transfer (< 30 yrs)

11. Rehabilitate-Operate-and-Transfer

12. Rehabilitate-Own-and-Operate

13. Land Swap

Other Provisions

8. Project Identification & Selection of Private Party

9. Solicited Bids

10. Privately Initiated Investment Proposals

11. Project Agreements

12. Financial Provisions

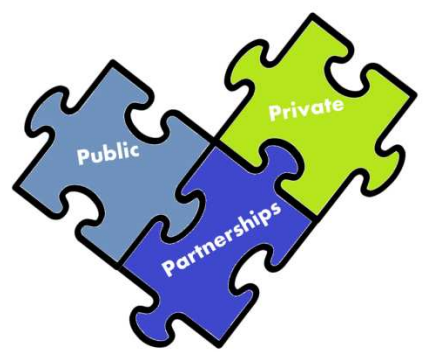
13. Miscellaneous Provisions

14. Savings & Transitional Provisions

(amendments to CAP 485 C, 407 and Act 5/2005)

For Investors

- 1. Risk Mitigation**
- 2. Inflation & Interest Rate Indexation**
- 3. Performance Monitoring**
- 4. Direct Agreement**
- 5. Lender Step-In-Rights**
- 6. Compensation for Termination/etc..**
- 7. Facilitation Fund**



Part 2

County PPP Projects Policy

Part 3

County

PPP Project

Feasibility Study

**Technical, Financial, Legal, Social,
Environmental, Risks**

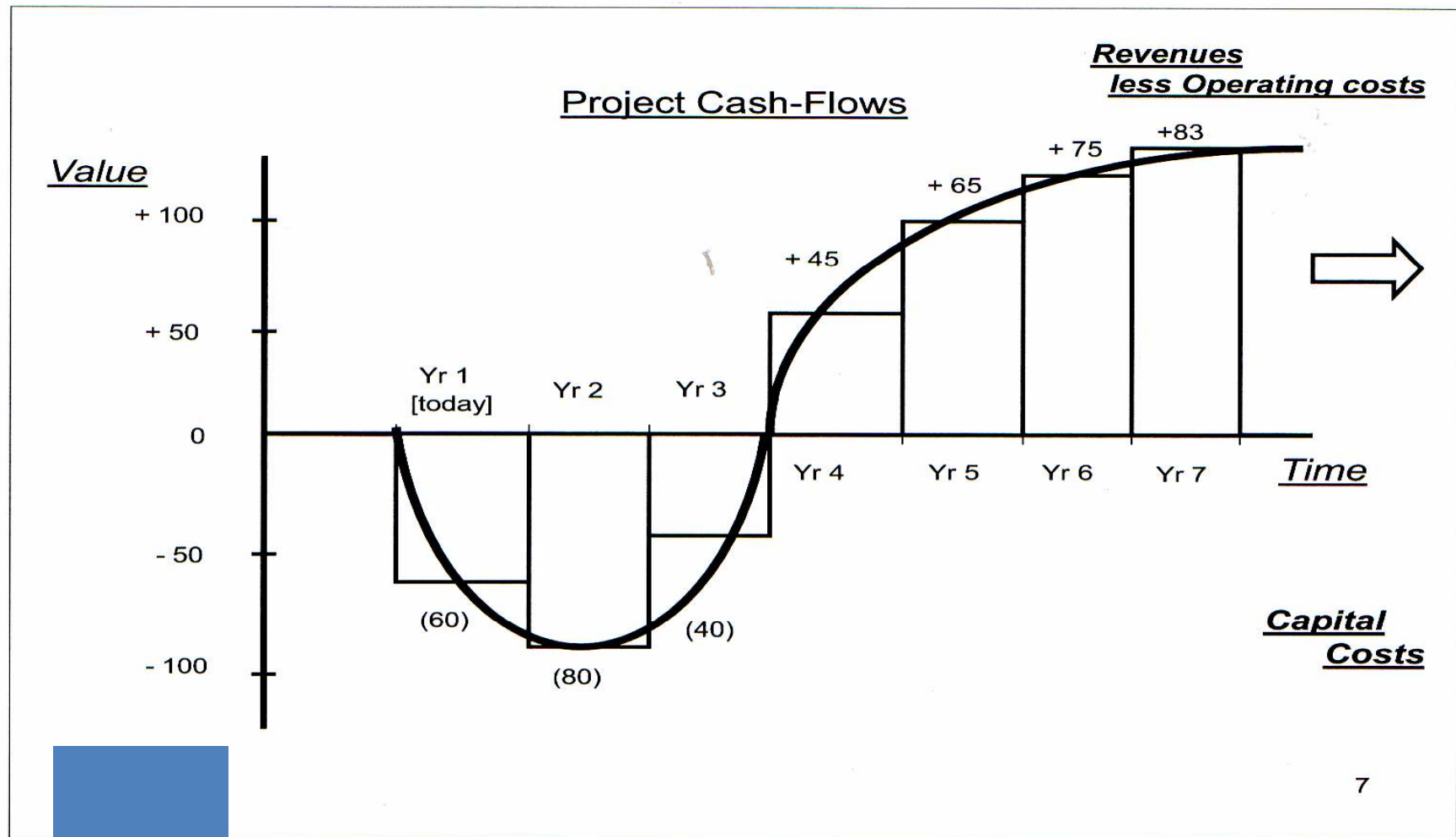
Balance Sheet

- 1. Special Purpose Vehicle**
- 2. Contracting Authority Equity (Public)**
- 3. Contracting Private Party (Equity)**
- 4. Contracting Private Party (Debt)**
- 5. Commercial Lenders (Debt) (including from capital markets)**
- 6. Third Party (Equity) (including from capital markets)**

Material Criteria

- 1. Debt Service Cover Ratio**
- 2. Interest Cover Ratio**
- 3. Project IRR**
- 4. Economic IRR**
- 5. Equity IRR**

Cash Flows/Returns



Risks

- 1. Pre-Completion**
- 2. Post-Completion**
- 3. Technical**
- 4. Environmental**
- 5. Financial**
- 6. Legal**
- 7. Political**
- 8. Role of Insurance**



Part 4

Project Information Memorandum (PIM)

Part 5

**Tender
Approvals
Legal Closure**

Part 6 - PPPs

Advantages

- off-balance sheet (?)
- requires private sector capital
- introduces private sector practices & efficiencies
- promotes competitive markets
- facilitates innovation

Disadvantages

- complex structure & documents
- time-consuming to arrange
- high up-front costs
- demands significant senior staff attention
- difficult to resolve when in default

Impact ?

When ?

Thank you

Views expressed are
my own

