



Public Private Partnership in Local Development

A Perspective of Private Sector

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Who is Private and Who is Public?

- Public Sector includes Government Agencies, and Local Government Institutions
- Private Sector includes private for profit sector, Association of Private Sector, Non profit service delivery institutions,

What is PPP

- Public private partnerships (PPPs) are arrangements between government and private sector entities for the purpose of providing public infrastructure, community facilities and related services.
- A PPP is a contractual arrangement between the public and private sectors, with clear agreement on shared objectives, for the delivery of an asset or service that would otherwise have been provided through traditional public sector procurement.

Purpose of PPP in Local Development

- Assure the availability of basic public services at local level through local management
- Ensure the quality of the services
- Bring cost effectiveness in the delivery of basic services
- Promote Local Economic Development and Employment Opportunities
- Effective and better utilization of common public properties and resources
- Promote good governance in Local Development Sector through the participation of private sector

Role and Competency

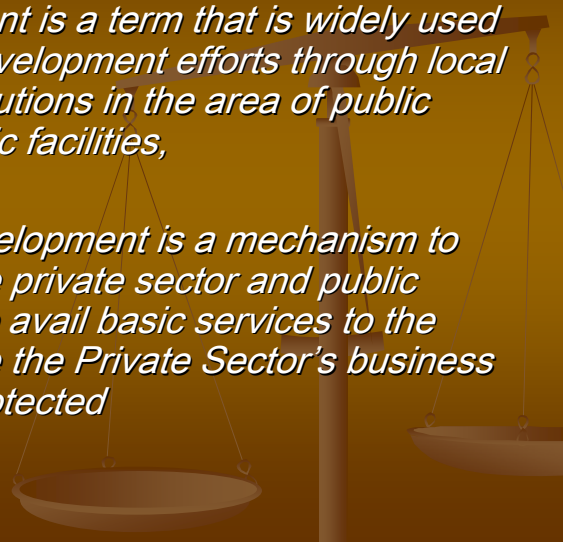
Public: Asset and Investment, Policy protection, Monitoring and Regulation

Private: Asset and Investment, Technology, Professional management, Better economic and fiscal management, Marketing

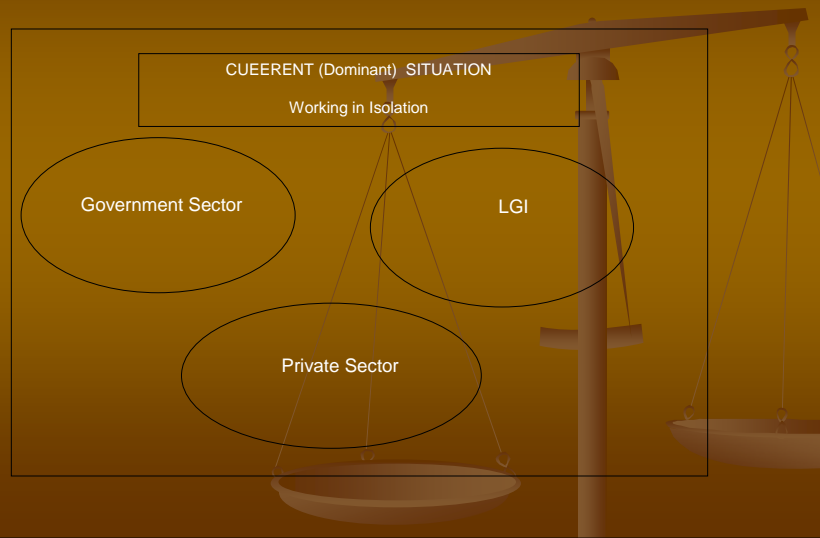


Understanding PPP in Local Development

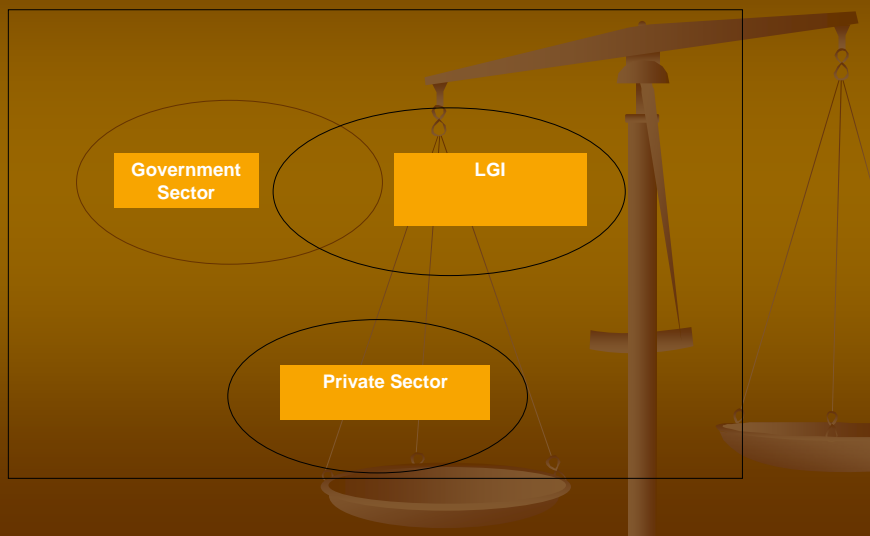
- *Local Development is a term that is widely used to indicate the development efforts through local government institutions in the area of public services and basic facilities,*
- *PPP in Local development is a mechanism to bring together the private sector and public sector together to avail basic services to the community where the Private Sector's business incentives are protected*



PPP in Local Development: From Isolation to Collaboration



Evolving Partnership



DESIRED SITUATION Working in Collaboration



Benefits of PPP

- Utilization of sectoral core competency
- Fiscal Performance increases and Economic Value loss is controlled
- Contributes to local economy
- Effective and better public services
- Cost competitive
- Risk Sharing
- Fulfills the obligation of state and CSR of the private sector
- Helps LGI to become provisioner and facilitator rather than of provider
- Promotes Local Employment Opportunities

Risks of PPP in Local Development

- *Political risks*
- *Unreliable service*
- *Inability to benefit from competition*
- *Bias in the selection process of Projects and Partners*
- *Labor issues*
- *Un equal accountability*

Where PPP is Popular

- England and Ireland: Health, Education, Transport
- Canada: Road, Health, Other Public Services
- Australia: Inter City Tunnel
- USA: Central Park of New York
- India: Airport Privatization, Roads (Costal Highway)
- Denmark: Public Bus Service
- Japan: Social Service and Shelter Houses

Common Misconceptions About PPP

- *Public private partnerships are the same as privatization*
- *By entering into a public private partnership, local government loses control over the provision of services*
- *Public private partnerships apply only to infrastructure projects*
- *The principal reason for local governments entering into public private partnerships is to avoid debt,*
- *Government wants to wash hand from the obligation of providing public services*
- *The quality of service will decline under public private partnerships*
- *The cost of service will increase to pay for the private partner's profit*
- *Local government can finance the cost of services at a lower cost than the private sector*
- *There are only two partners in a public private partnership*

Policy Elements of PPP in LD

- Economic Policy of the country,
- Development Financing Situation
- Role and Responsibility of Local Government Institutions in Local Development
- Decentralization Policy
- Taxation Policies in relation to the local basic service sector
- PPP policy and Program of the Government
- Foreign Investment Policy
- Policy Recognition of the Private Sector

Some Relevant Issues

- Operational Support Policies for PPP not sufficient
- Willingness from Private Sector (corporate Social Responsibility)
- Quality Control of all sector
- Economics of PPP in Local Development
- Commitment from the Government Sector
- Capacity Building
- Working together and listening to each other
- Financing Options and Access to Soft Loan

Potential Areas of PPP in Local Development

- **Public Utilities:** (Bus Park, Parking area, Health services, WSH, Market Centers, Public Park and Recreation Areas, Bridges, Road, Expressway, Convention centers, Urban Sewerage system)
- **Income Initiatives:** (Dairy, Slaughter House, Public housing, Mass Transit Systems, City Transport Systems, Street Vending)

Existing PPP in Local Development

- FNCCI and PPPUE (MLD/UNDP) working together in 10 Municipality on different PPP initiatives,
- FNCCI has Expansion Plan of this initiative in another 10 Municipalities,
- FNCCI intends to promote the PPP concept for Local Economic Development, and also for National level mega projects

What is the Need of the Time

- Clear and Stable Policy for PPP
- Conceptual Clarity among the Stakeholders
- Willingness from both Parties
- Enabling Operating Environment
- Longer term Assurance of Investment
- Access to National and International Investment Envelopes
- Economic Concessions