

XIVth Training Course for Railway Personnel

Vadodara, March 2013

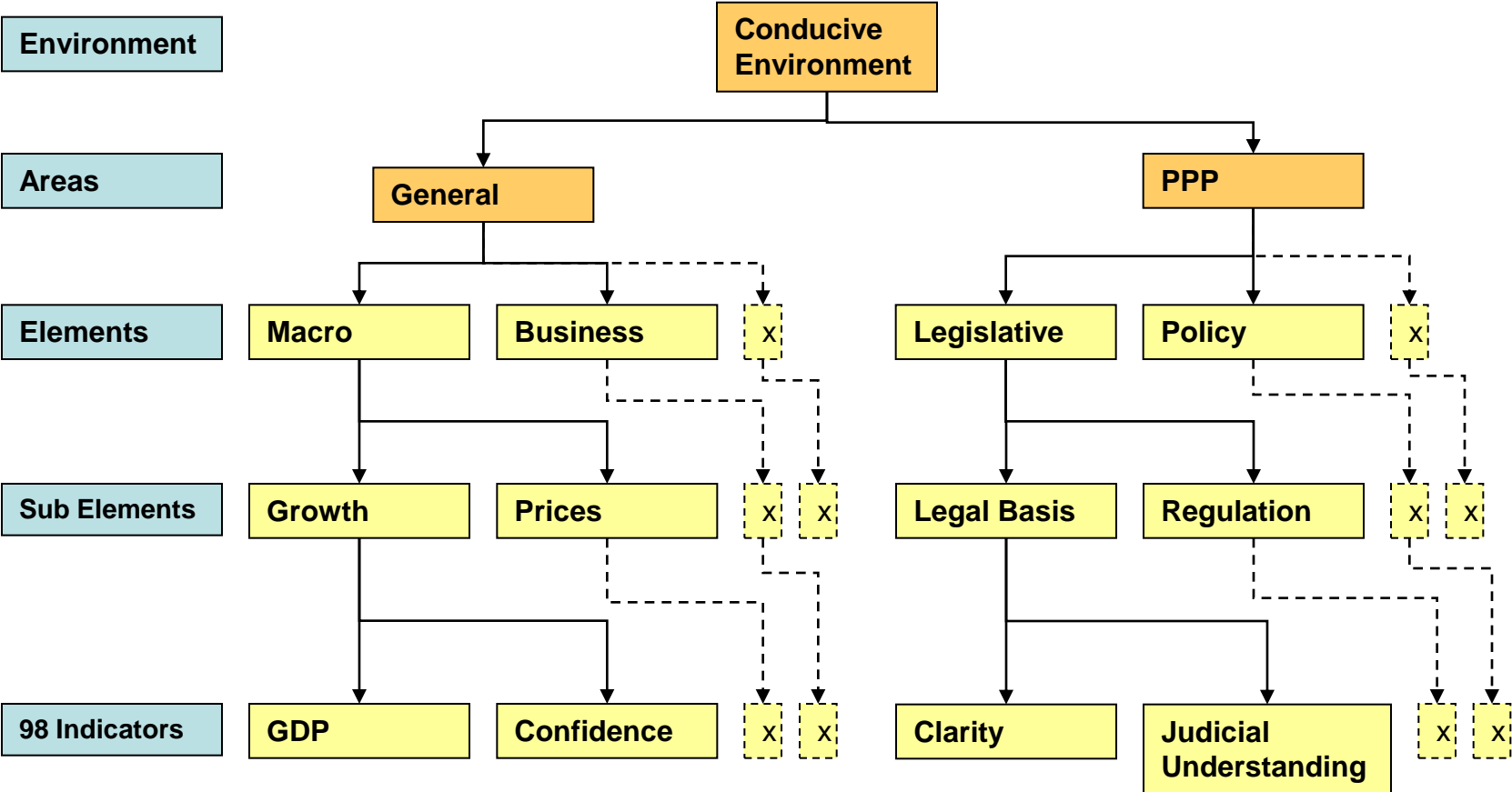
**PPP Readiness Self-Assessment
Tool**

John Moon

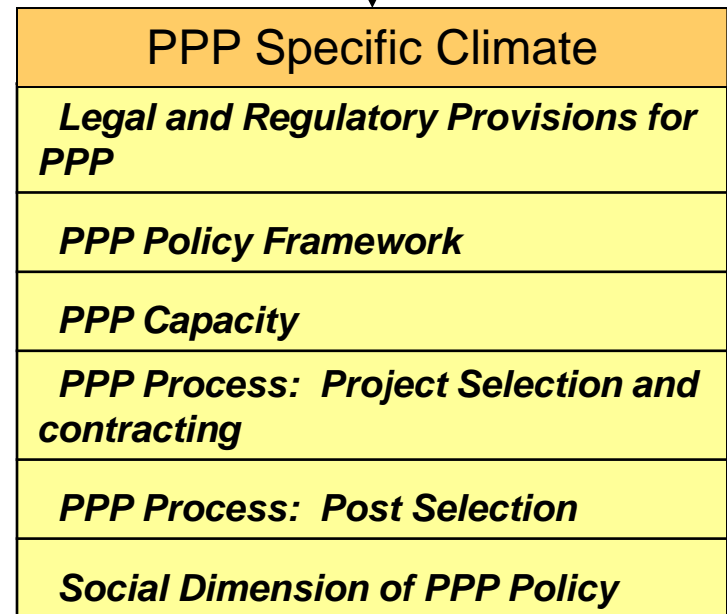
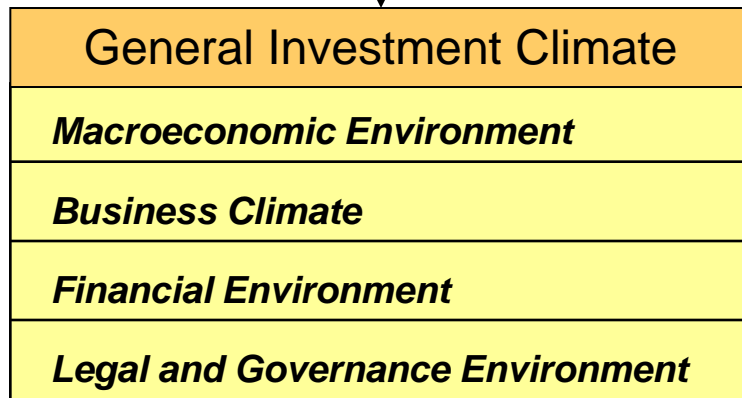
What do we mean by “Readiness”

- There exists a climate or environment in the country that is conducive to private sector participation in the development of economic and social infrastructure
- Economic: power, telecommunications, transport, water, waste water and solid waste
- Social: health and education services

How does the tool assess whether the environment is conducive?



**Conducive Environment/
Climate for PPPs**



General Investment Climate (1)

Macroeconomic Environment		
Economic growth	1	GDP growing at an acceptable rate
	2	Satisfactory growth rates in key sectors
	3	Business confidence high
Domestic economic stability	4	Price stability
	5	Fiscal budget balance
	6	Low unemployment rate
	7	Stable and reasonable real interest rates
External balance and stability	8	Stable exchange rate
	9	Satisfactory balance of payments position
	10	Acceptable debt service ratio

General Investment Climate (2)

Business Climate		
Registration and taxation policy	11	Rational, equitable and predictable taxation policies
	12	Reasonable tax levels for corporations
	13	Possible to register and get permission to start up a new business quickly and easily
Access to factors of production	14	Education produces sufficient quantity of sufficiently skilled graduates
	15	Fields of specialized education appropriate for country needs
	16	Physical infrastructure adequate
Government's responsiveness to business concerns	17	Precedents shows government to be responsive to PPP business concerns
	18	Commitment to maintain policy continuity
Repatriation of profits	19	Few restrictions on repatriation of profits
	20	Convertibility of foreign exchange

General Investment Climate (3)

Financial Environment		
Basic development of the financial system	21	Developed banking system services corporate needs
	22	Developed pension and insurance market
	23	Bond market exists and is open to private participation
	24	Developed equity markets
Other important components of a developed financial system	25	Effective financial regulatory regime in place
	26	Clear and effective provision for bankruptcy and limited shareholder liability
	27	Credit rating agency(s) exist and offer ratings on individual businesses
	28	Financial sector experienced in assessing long-term lending decisions

General Investment Climate (4)

Legal and Governance Environment		
Property rights and competence of judiciary	29	Property rights effectively enforced, and compensation for expropriation is fair
	30	Effective protection for intellectual property, including business models
	31	Judiciary demonstrates competence, independence and efficiency
Government commitment to transparency	32	Government procurement is fair and transparent in practice
	33	Effective political commitment to eradicate public sector corruption
	34	Political commitment to public and private financial transparency
	35	Government addressing problems of corrupt corporate practices
General government openness and transparency	36	Community and stakeholder participation in government policy making
	37	Press is free, formally and in practice
Capacity in labor and environmental law	38	Labour legislation effective in protecting workers' wages and safety
	39	Environmental protection adequate
	40	Environmental laws are clear and transparent and are all available from a single source

PPP Specific Climate (1)

Legal and Regulatory Provision for PPP		
Establishment of clear legal basis for PPP process	41	Legal basis for private sector participation in PPP is clearly defined
	42	Limited restriction on participation of foreign investors in PPP projects
	43	Judiciary understands and accepts PPP policy framework
Legal provision for property acquisition	44	Authority and procedures are clear for acquiring rights of way
Adequacy of structures providing for economic regulation of PPP projects	45	Regulatory authority is clear for all PPP types expected
	46	Price and quality of PPP monopolies regulated to protect consumers and others
	47	Price regulation sufficiently flexible to adjust to major cost changes
Implementation of economic regulation (including quality and fairness issues)	48	Powers and resources are adequate to regulate PPP
	49	Accounts of PPP projects available to regulators and subject to effective query
	50	Regulators demonstrate competence, independence and efficiency

PPP Specific Climate (2)

PPP Policy Framework		
Clarity of a policy framework and division of responsibilities	51	Private participation in PPP projects has clear basis in policy, with broad government support
	52	PPP policy has clearly allocated authority and responsibility within the parts of government
Ability of the policy framework to generate projects for PPP	53	Effective process defined for proposing, identifying and structuring projects
	54	Distinct process for unsolicited PPP proposals in policy framework
	55	Policy framework generates commercially viable project proposals
	56	Sectoral competition and regulatory regime chosen to limit market power
Ability of the PPP policy framework to work effectively with broader governmental requirements	57	Projects are integrated with the national and local planning process
	58	Criteria for project support by government are clearly defined
	59	Project support requirements are integrated with government budget process
Responsiveness of the PPP policy framework to broader input	60	Stakeholders can participate in project planning and implementation
	61	PPP policy undergoes evaluation and revision in response to experience

PPP Specific Climate (3)

PPP Capacity		
Political support and institutional structure	62	PPP process has sufficient political support, due to positive record or political "champion"
	63	Defined government mechanisms in place to coordinate PPP needs
Technical expertise and related resources available for the various aspects of PPP management	64	Staff of relevant government agencies have resources/information for managing PPP process
	65	Staff aware of legal, financial and basic technical issues in PPP projects
	66	Staff capable of routine operations in PPP project development
	67	Technical capacity sufficient to ensure construction and service standards
	68	Staff can assess outside work, including feasibility studies and risk mitigation strategies
Capacity for training	69	PPP documentation/best practices available in public domain
	70	Adequate resources/facilities and expertise to train in PPP
	71	Provision for assisting line agencies and local government in undertaking PPP projects

PPP Specific Climate (4)

PPP Process: Project selection and contracting		
Predictability and transparency of the overall process	72	Predictable staging of project identification, selection and contracting
	73	Transparent procedures specified for all stages of the PPP process
Proper project assessment procedures before committing to a project	74	Project feasibility studies undertaken for larger proposals
	75	Environmental and social impact assessment required
	76	Customer safety assessment fully incorporated
Management of the process of bidding by potential project sponsors	77	Bidders given proper information, including requirements for submitting proposals
	78	Verification of business information used in sponsor selection
	79	Conflict of interest results in exclusion from contracting
	80	Competitive tendering process is transparent in practice
	81	Objective criteria for project sponsor selection are known and applied

PPP Specific Climate (5)

PPP Process: Post-Selection		
Performance monitoring of on-going projects	82	Defined performance requirements available prior to bidding
	83	Performance monitoring effective and transparent
Management of contingencies which arise during the project implementation	84	Arrangements for risk sharing are sensible and manageable
	85	Contracts for PPP are irrevocable except through due process
	86	Penalties enforced for failure to meet contractual obligations
	87	Conflict resolution process clear, including alternatives to judicial resolution
Post-contract regulation applied in practice	88	International arbitration recognized and effective for dispute resolution
	89	Technical regulation is appropriate to project requirements
	90	Rulings by technical and economic regulators can be appealed

PPP Specific Climate (6)

Social Dimension of PPP Policy		
Government's ability to promote the PPP concept	91	Civil society views PPPs as viable means of providing infrastructure and basic services
	92	Programme to educate the public concerning the need for user-pays principle
Are PPP policies pro-poor?	93	Planning system addresses the needs of the poor and marginalized
	94	Pricing policies reflect the needs of the poor in basic services
Specialized finance for projects with pro-poor and/or social priorities	95	Funds available for projects with added social welfare purpose
	96	Community instruments (such as cooperatives) for equity participation in PPP available
Is the community taken into in PPP?	97	Mechanism for undertaking community-based infrastructure projects using PPP
	98	Resettlement and rehabilitation provided for communities disrupted by PPP projects

Sample Readiness Assessment Form (Part)

Macroeconomic Environment

1	GDP growing at an acceptable rate	4	3	2	1	0
2	Satisfactory growth rates in key sectors	4	3	2	1	0
3	Business confidence high	4	3	2	1	0
4	Price stability	4	3	2	1	0
5	Fiscal budget balance	4	3	2	1	0
6	Low unemployment rate	4	3	2	1	0
7	Stable and reasonable real interest rates	4	3	2	1	0
8	Stable exchange rate	4	3	2	1	0
9	Satisfactory balance of payments position	4	3	2	1	0
10	Acceptable debt service ratio	4	3	2	1	0

Macroeconomic Environment Total _____ *Out of 40*

Excel Files for Readiness Assessment

Microsoft Excel - ppp_selfassessment_manualinput

File Edit View Insert Format Tools Data Window Help

Type a question for help

AC31

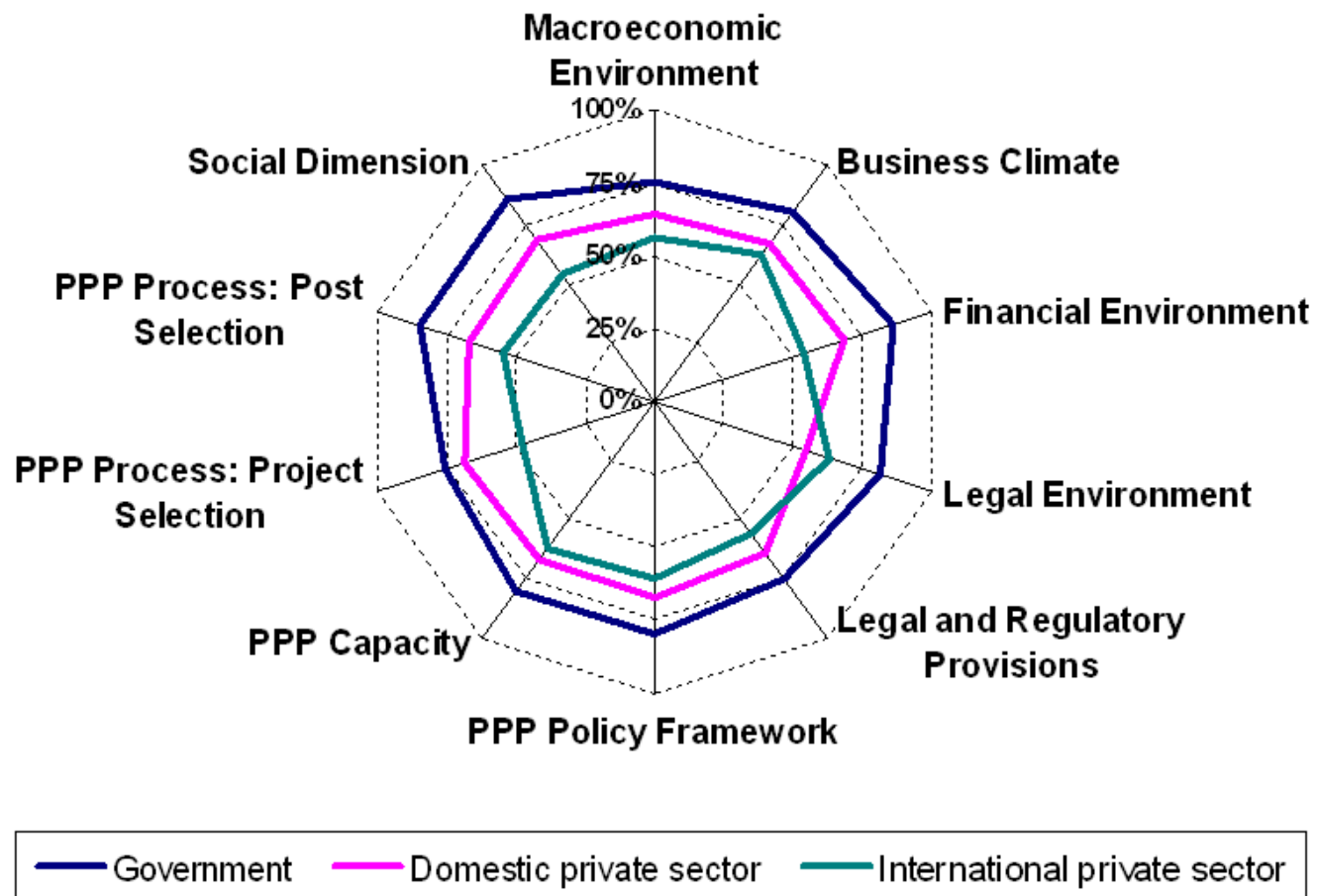
	A	B	C	D	E	F	G	S	T	U	V	W	X	Y		
19	PPP Policy Framework			Average assessment by:												
	<i>Please add your scores into the green fields (4= very good; 3=good; 2=moderate; 1=fair; 0=poor)</i>			Government	Domestic	International										
				<small>private sector</small>	<small>private sector</small>											
21	Clarity of a policy framework and division of responsibilities	51	Private participation in PPP projects has clear basis in policy, with broad government support	Scaling Guidelines Very good (4): PPP policy clear and accepted among policymakers and officials. Good (3): PPP policy broadly understood and accepted, despite reservations. Moderate (2): PPP policy understood and accepted by key decision makers, but faces some resistance in important parts of government. Fair (1): PPP policy inadequately understood or only tentatively supported by key officials. Poor (0): PPP policy tentative and only weakly supported. Rationale: The rationale for PPP, and the supporting requirements, should be firmly understood and accepted by policymakers. In the course of PPP projects there will inevitably be surprises, and it is important that the PPP policy be clear, strong and flexible enough to survive these.												
22		52	PPP policy has clearly allocated authority and responsibility within the parts of government													
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READ ME / results / Part A / Part B / Action Planning /

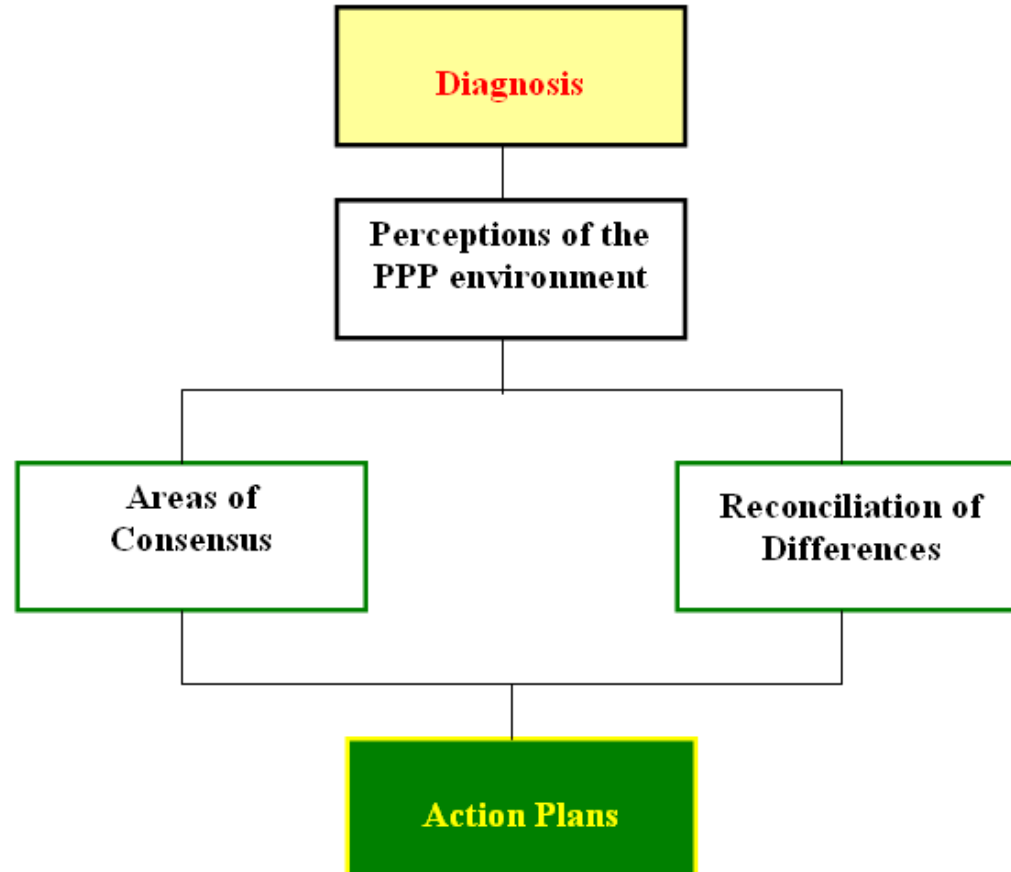
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Output – “Spider” Diagrams

Average results for each category



Assessment Process



Thank You

John Moon