



Public Private Partnership (PPP) for Generating Employment Opportunities

Expert Group Meeting on
**Addressing Unemployment in IDB Member Countries
in the Post-Crisis World**

Organised by Islamic Development Bank Group

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THE OVERVIEW

- Understanding PPP
- Employment Opportunities in PPP and their Monitoring
- Transfer of Technology for Skills Upgrading
- Local Content for Maximizing Flow-on to Local Businesses
- Project Development Facility for PPP Creation

What is Public-Private Partnership (PPP)

PPP can be defined as a
“long term partnership between the
public and private sector through a
contract or license, for providing
infrastructure services”

Examples: Power supply, toll roads, container terminals

Infrastructure and Non-Infrastructure Compared

- Non-Infrastructure (competitive)
 - Investors free to take up project anytime
 - No Bidding necessary
- Infrastructure (Govt. monopoly)
 - Investors not free to take up project
 - Majority Projects Solicited
 - Bidding necessary
 - Government gives right to do business

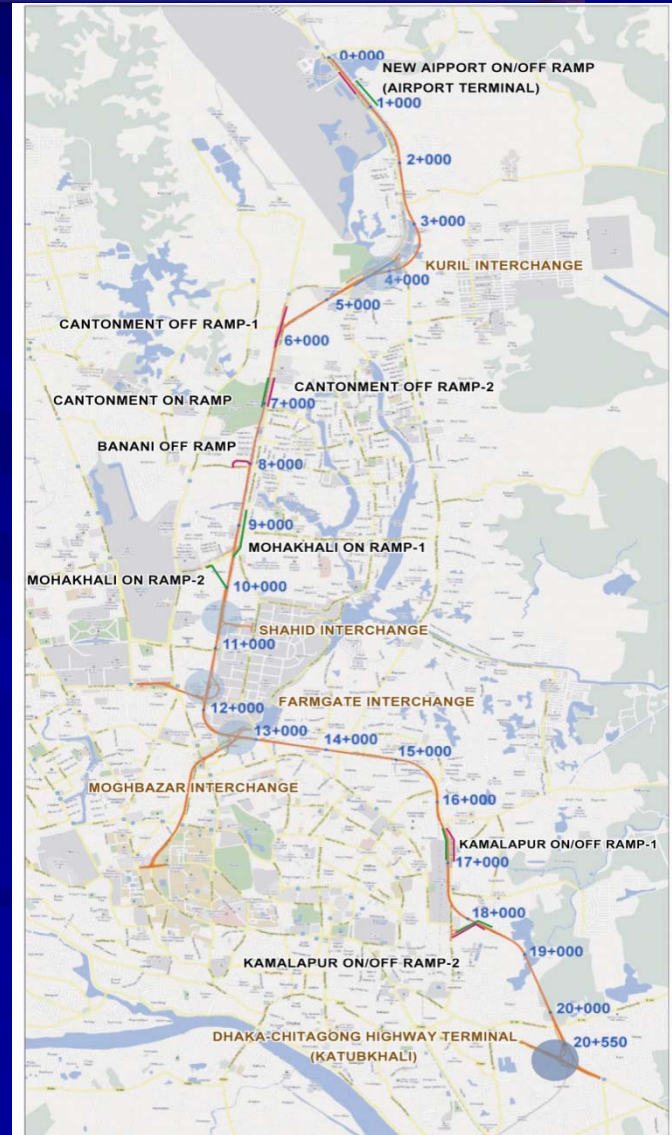
TYPE	Non-Infrastructure	Infrastructure
Public Sector only	✓	✓
Private Sector only	✓	X
PPP	by shares	by contract

By default, all infrastructure belongs to the Public Sector

Bangladesh Case Study: Dhaka Elevated Expressway PPP Project

- 26 km long 4-lane expressway in Dhaka City
- Capital cost US\$1243 million
- Awarded to Italian-Thai Development Public Company Ltd (ITD) in Jan. '11
- 25 Year Concession Period
- Fixed Toll Rates with escalation

The Expressway has provisions
for Transfer of Technology
and Local Content



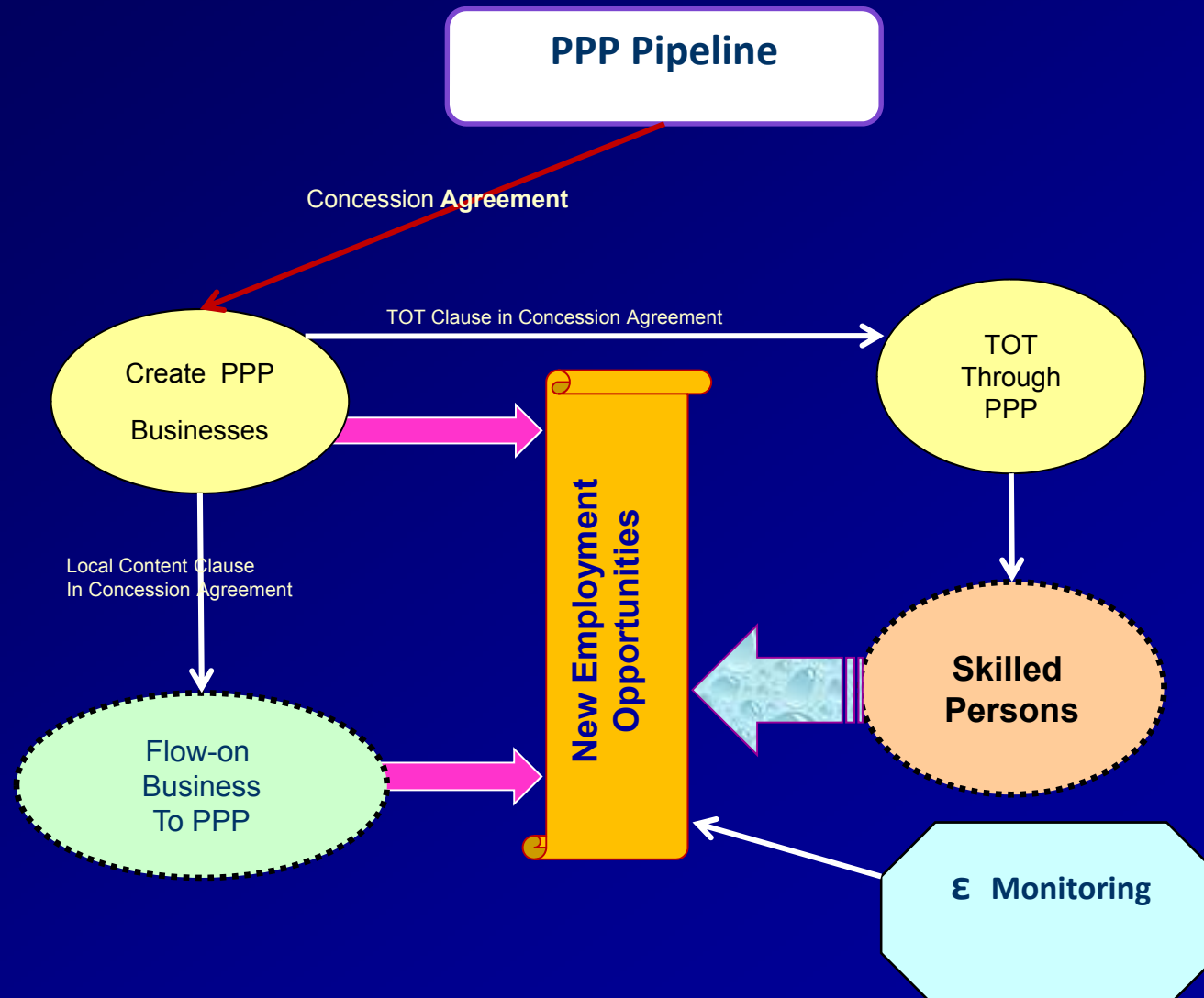
Transfer of Technology Clause in Concession Agreement (CA)

- Provision in CA for Concessionaire to provide Transfer of Technology (TOT) to Bangladesh
- TOT envisages Bangladesh increasing its capability to design, construct and maintain large civil mega-structures in the future
- 1% of capital cost (amounting to \$12.4m) kept aside for TOT as part of the concession
- TOT Plan to be prepared by Concessionaire and agreed by Government

Local Content Clause in Concession Agreement

- Provision in CA for Concessionaire to commit to purchasing goods and services and engaging local contractors that will lead to flow-on businesses for Bangladesh
- 50% of capital cost (amounting to \$621m) committed as Local Content
- Local contractor firms to be informed about the work opportunities in the PPP project
- Institute of Civil Engineering and Management (ICEM) to be created under the CA
- ICEM will have use of the \$12.4m fund and facilitate and monitor both the TOT Plan and the flow-on businesses in Local Content
- ICEM is presently in the process of being established

Overall Strategy for Employment Through PPP



PPP Master Plan to Increase Employment

PPP Pipeline Development with ε Considerations

- Project Intake
- Project Progression

Transfer of Technology
Local Content

ε Performance Monitoring

- ε Targets
- ε Statements
- ε National Database

Proposal for PPP Development in IDB Member Countries

Islamic Infrastructure Ventures

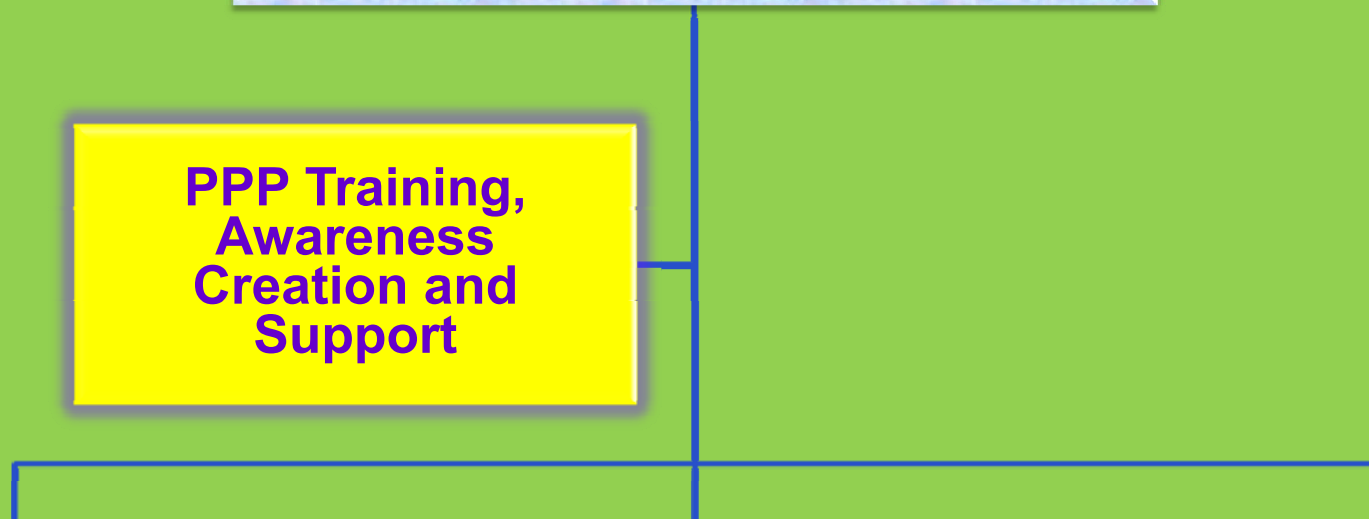
(a PPP project development facility for MCs)

PPP Training,
Awareness
Creation and
Support

Individual
Country 1

Individual
Country 2

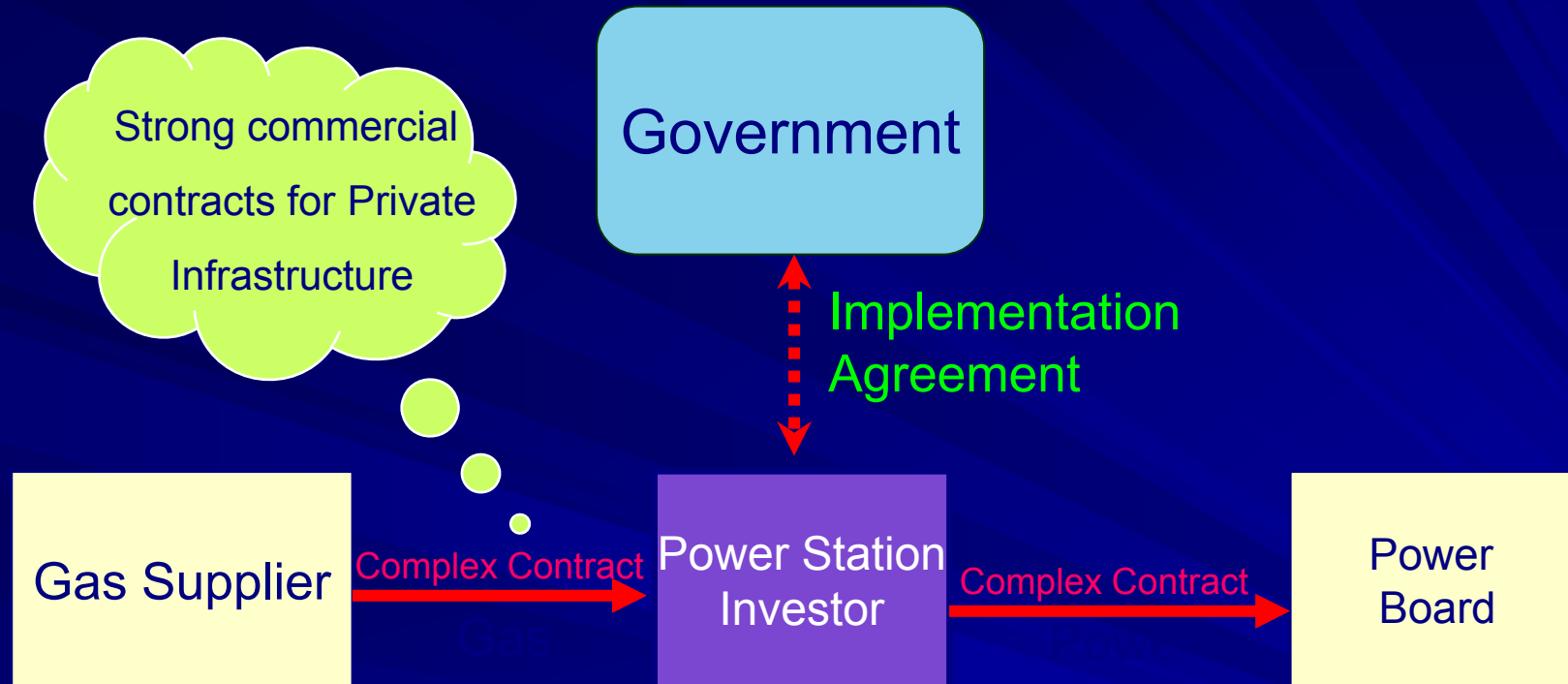
Individual
Country 3



Skills Needed

- **Developing projects needs multiple skills in the executing agency**
 - **Technical**
 - **Commercial**
 - **Legal and contractual**
 - **Negotiations**
- **Public sector projects are significantly different from private sector projects**
 - **Needs to consider the concerns of private sector**
 - **Over tightening and over-safety turns away investors**
 - **Negotiation skills are highly needed**
- **Capacity of Government officials need to be urgently built in these areas**

Why are Skill Changes Necessary

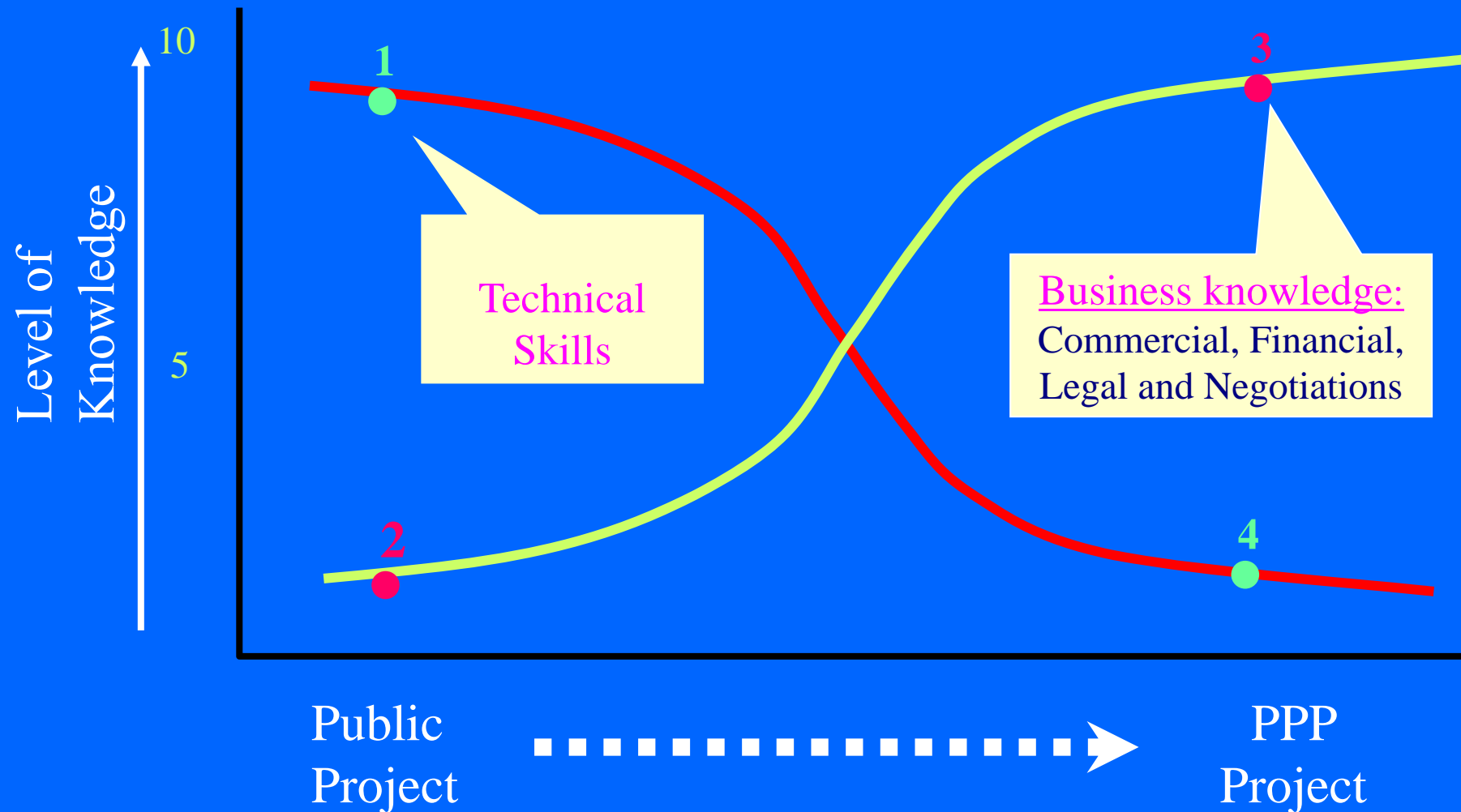


Contract documentation proportional to allocation and transferring of Risks

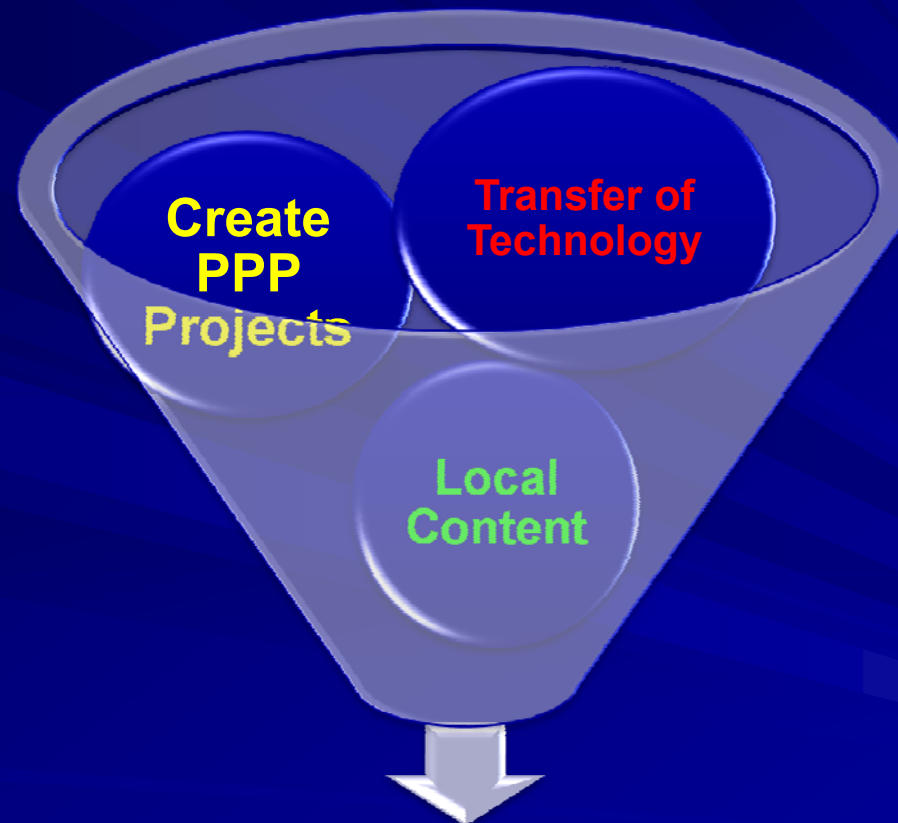
Applicable to:

- Government
- Consultants
- Donors

Changing Skills Needed



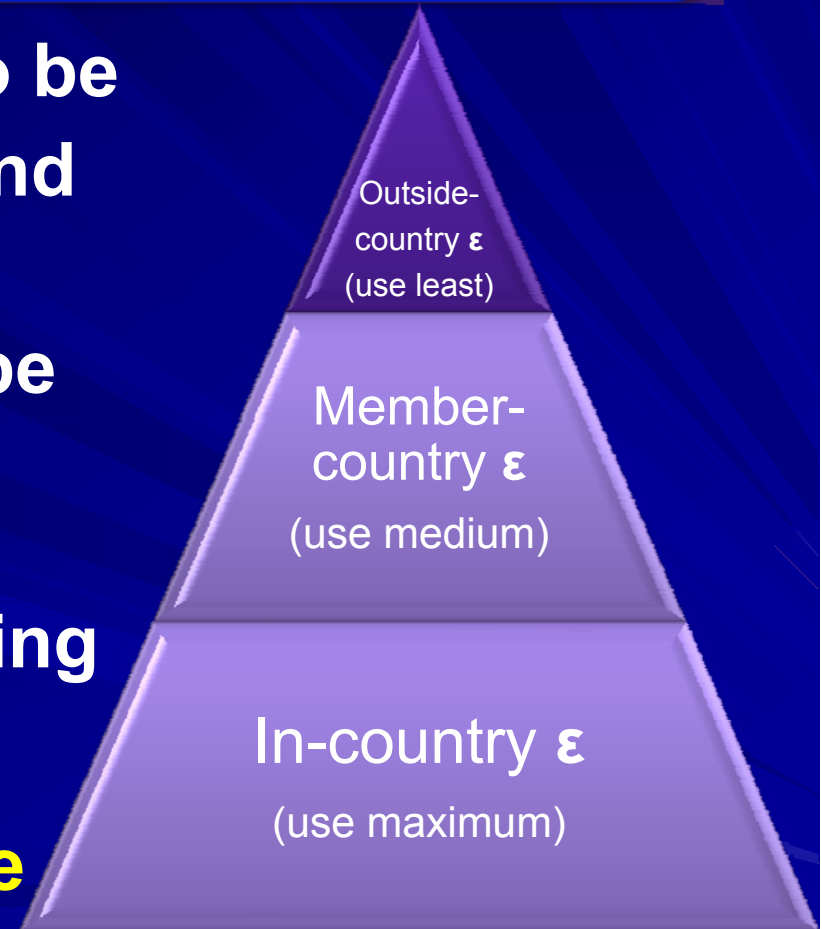
Increased Employment through PPP



Increased Employment

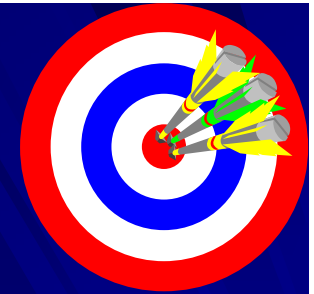
Employment Generation and Monitoring

- Employment Factor ϵ to be planned, implemented and monitored in PPPs
- Methodologies need to be prepared to measure ϵ
- ϵ performance monitoring
 - **by ϵ statements**
 - **by ϵ national database**



- Master Plan on PPP with ϵ considerations

Summary of Recommendations



Create PPP Businesses through a Robust PPP Pipeline: Each country to establish a PPP Pipeline and monitor (a) PPP intake (b) progression and (c) employment (ϵ)

Create a Regional Project Development Facility: Establish Islamic Infrastructure Ventures to take the up-front risks and assist MCs in developing PPP projects

Ensure Transfer of Technology (TOT) in Each PPP: Conduct skills gap analysis and insert TOT provision in each Concession Agreement

Ensure Local Content in Each PPP: Maximize country's share of business by inserting Local Content provision in each Concession Agreement

Large Scale Capacity Building on PPP: Create institutions and projects to carry out large-scale capacity building in financial, legal, risk, negotiations and other areas

Measurement of ϵ : Prepare methodologies for employment performance monitoring and institutionalize it through ϵ statements and national ϵ database

Industrial Sector and Services Sector PPP: Identify the government enterprises in which PPP may be adopted, assess change in performance levels and ϵ potential

Country Master Plans on PPP for Increasing ϵ : Prepare PPP Master Plan for each country that includes ϵ considerations