

About the Guide

Public Private Partnerships for Municipalities

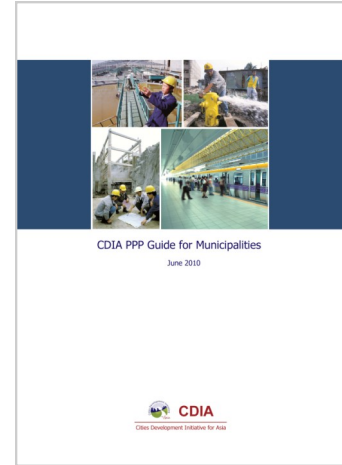
This guidebook was prepared to offer an innovative view to help local governments understand how to approach a potential PPP project and to review some issues that may come up in the process.

It is one of the few guides that are specifically targeted at city officials, such as mayors and council members, as well as

senior technical staff in different sectors (e.g. water, energy, roads, ports) that are just beginning to look at PPP options.

It is not a book of comprehensive answers but a basic guide about how to view PPPs and where to find more information so that local authorities can come to find their own answers.

PPP Guide



Organization of Guidebook

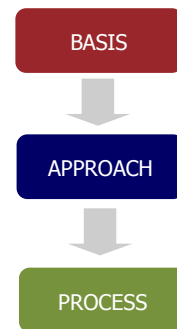
The guide is divided in three parts:

“**Basis**” describes the fundamentals of the PPP model, including definitions, key principles, stakeholders, advantages and limitations from the perspective of local governments.

“**Approach**” provides insight about how local governments can go about deciding whether or not to pursue a PPP approach and review how this is different than a traditional publicly-financed project.

“**Process**” offers users of this guide a basic ‘walk in’ of action for developing and implementing a PPP.

Parts of the Guide

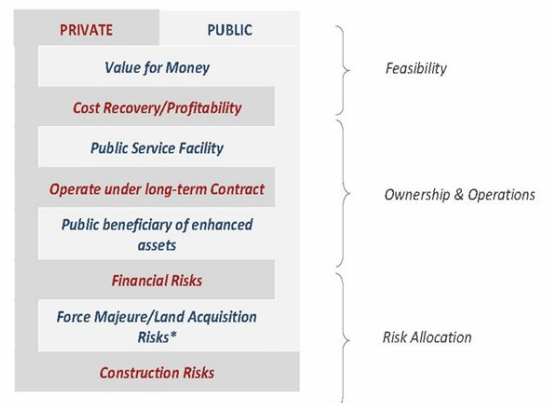


Key topics covered in the Guide

- Part 1 ● **BASIS**
 - Introduction to Public Private Partnerships (PPP)
 - What are the Main Principles of PPPs?
 - Do PPPs Support Broader Government Goals?
 - Are there Downsides to PPPs?
- Part 2 ● **APPROACH**
 - In What Sector Can PPPs be Applied?
 - How Can Potential PPP Projects be Identified?
 - What Changes are Needed to Undertake a PPP?
- Part 3 ● **PROCESSES**
 - Project assessment
 - Marketing
 - Bidding
 - Evaluating Bids
 - Negotiating the Contract
 - Monitoring and Evaluation

Principles of PPPs

‘Partnership and Participation must be principles of any PPP’



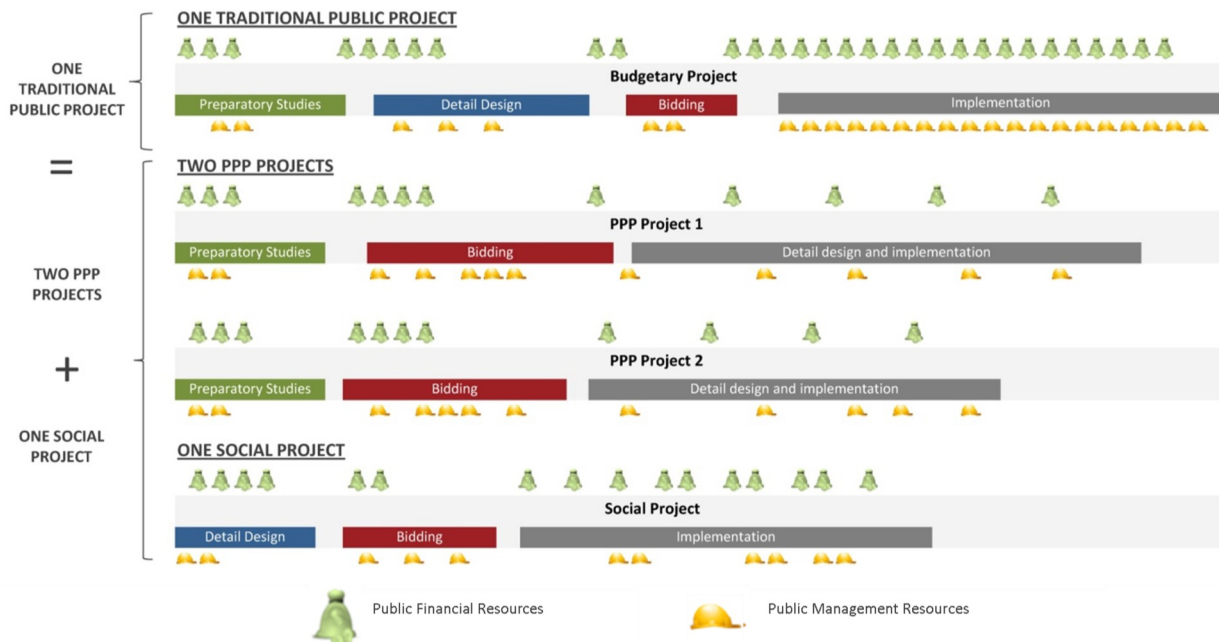
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The process in detail

PPP offers means to implement more projects with the same amount of city resources. The following diagram illustrates how through using PPPs a city could undertake additional projects beyond only traditional financing approaches thereby freeing resources for social development projects.

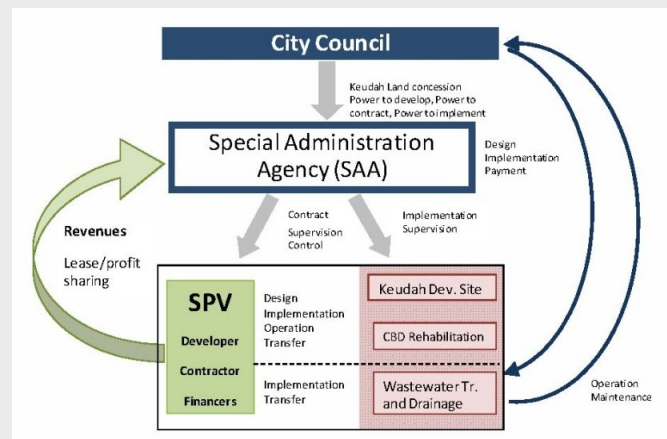


Case Study as learning examples

The case of Banda Aceh, Indonesia: Leveraging Public Assets

The city identified three key projects in the CBD:

1. Improving the basic infrastructures in the city center, including paving roads and walkways, improving parking, and reordering traffic flow;
2. Undertaking wastewater treatment and sewerage rehabilitation to improve the health situation along the along the Krueng Aceh River; and
3. Developing an underutilized parcel of land (the Keudah Terminal) for commercial development, with facilities for social service activities and public events.



The first two projects could generate revenue by themselves. However, while the projects could potentially recover their costs, they would not be able to generate a sufficient return to interest potential investors. On the other hand, the real estate development project, if well formulated, could be significantly profitable, but it was unlikely to work well if the other two projects were not developed simultaneously.

The city came up with a unique solution to attract private sector investment, while ensuring that the less profitable infrastructure would also get built. To attract interest from private sector investors, the city retained control over the operation of the wastewater treatment and drainage (the riskiest parts of the investment), but they pushed investors to execute the three components under one project (partial unbundling).

The city decided to create a Special Administration Unit (SAU), independent from the City Hall, to execute the project. This SAU will have a concession over the use of the Keudah Terminal, which will be leased to the private investor. The revenue obtained from the lease will be used to repay the necessary loans to execute the parts of the project that cannot be directly financed by the private sector. Once paid, the remaining revenues will be channeled directly to implement new projects and developments in the area, rather than going to the city's general budget.