2nd Forum on Developing Public-Private Partnership (PPP) Projects for Agriculture and Fisheries

Understanding of PPP: Concept & Assessment

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3. Privatization vs PPP
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1. INTRODUCTION

PPP is regarded as a method for procuring and delivering both public assets and public services.

What is the Public-Private Partnership?

Governments need to ensure that only ‘good’ PPP projects are developed.

- cost-benefit justified
- provide better Value for Money than traditional public procurement
- financially viable and fiscally responsible

Successful PPP programs tackle this problem through progressively more rigorous screening at successive stages of project development.

Is ASEAN ready for PPP?

1. INTRODUCTION

The term PPP is used to describe a wide variety of working arrangements from loose, informal and strategic partnerships, to design-build-finance-and-operate (DBFO)-type service contracts and formal joint venture companies.

- The **OECD** defines PPP as an agreement between the government and one or more private partners (which may include the operators and the financers). Within the agreement, the private partners deliver the service so that the service delivery objectives of the government are aligned with the profit objectives of the private partners. Furthermore, the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners.
- According to the **IMF**, PPPs refer to arrangements in which the private sector supplies infrastructure assets and services that traditionally have been provided by the government. In addition to private execution and financing of public investment, PPPs have two other important characteristics: an emphasis on service provision and investment by the private sector. In this way, significant risk is transferred from the government to the private sector.
- **Standard & Poor's** definition of a PPP is any medium- to long-term relationship between the public and private sectors involving the sharing of risks and rewards of multi-sector skills, expertise and finance to deliver desired policy outcomes.
- For the **European Investment Bank**, Public-Private Partnership is generic term for the relationships formed between the private sector and public bodies, often with the aim of introducing private sector resources and/or expertise in order to help provide and deliver public sector assets and services.
- **WORLD BANK** "A long-term contract between a public party and a private party, for the development and/or management of a public asset or service, in which the private agent bears significant risk and management responsibility through the life of the contract, and remuneration is significantly linked to performance, and/or the demand or use of the asset or service".

1. INTRODUCTION

PPP IS NOT PRIVATIZATION. There is often confusion between privatization and PPPs. There is however a clear difference between these two forms of private sector engagement.

Privatization involves the permanent transfer to the private sector of a previously publicly-owned asset and the responsibility for delivering a service to the end user.

However, a PPP necessarily involves a continuing role for the public sector as a “partner” in an ongoing relationship with the private sector.

Confusion can arise because sometimes the term “privatization” is used more broadly; for example, to mean any form of private management. When used in this way, the term can apply to a wide range of arrangements, including PPPs.

By definition, privatization in its true sense is not an option for governments to procure new infrastructure, as privatization implies the infrastructure has already been constructed.

Similarly, the contracting out of management of existing infrastructure is not privatization because it does not involve a permanent transfer of that infrastructure to the private sector. In addition, there is a continuing role for the public sector as a “partner” in an ongoing relationship with the private sector.

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As a public contract, it has to meet a number of features or conditions to be regarded as a PPP, which are more specific and demanding for the infrastructure PPP types of contracts.

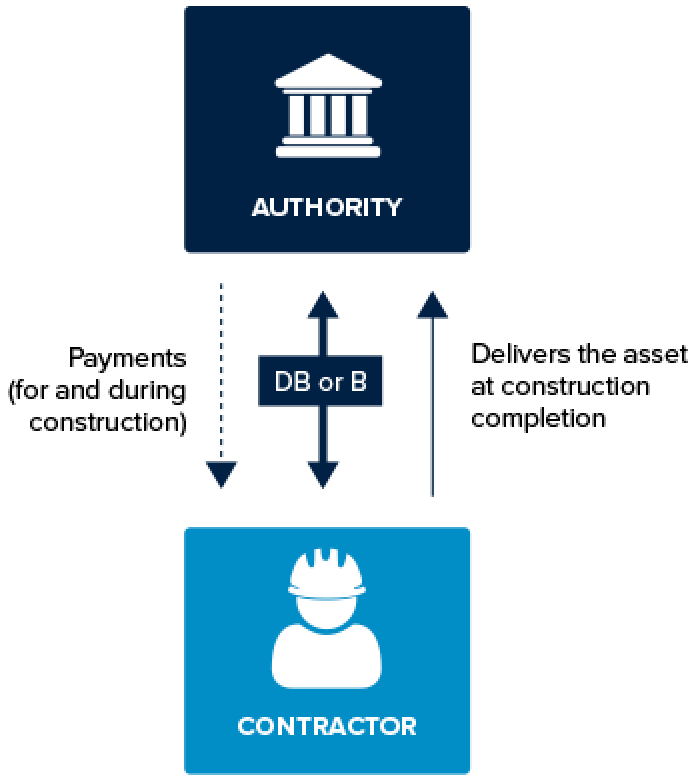
1. Infrastructure procurement options that are not regarded as PPPs;
2. Infrastructure procurement options that may be regarded as PPPs;
3. User-Pays PPP
4. "AT-RISK" Long-Term Management or Service Contracts

Private Participation in Infrastructure (PPI)is not a synonym for a PPP. The PPI concept includes other forms of private involvement in the delivery and/or management of public infrastructure.

"Private Finance" PPP Contract is a long term contract between a public party and a private party for the development (or significant upgrade or renovation) and management of a public asset (including potentially the management of a related public service), in which the private party bears significant risk and management responsibility throughout the life of the contract, provides a significant portion of the finance at its own risk, and remuneration is significantly linked to performance and/or the demand or use of the asset or service so as to align the interests of both parties.

2.1. INFRASTRUCTURE PROCUREMENT OPTIONS THAT ARE NOT REGARDED AS PPPS

TRADITIONAL PROCUREMENT OF INFRASTRUCTURE: PUBLIC FINANCE AND PUBLIC MANAGEMENT. BUILD AND DESIGN, AND BUILD CONTRACTS.

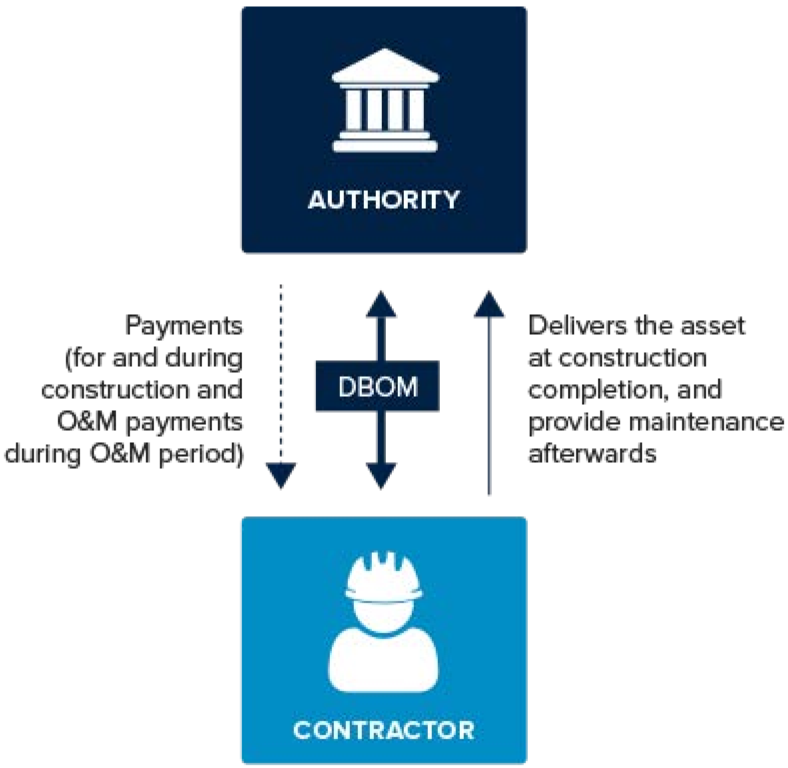


Works are financed by the public sector. Payments for the works are received by the contractor as work progresses (funded by the budget) and the asset is received by the Authority at construction completion.

Traditional procurement usually takes one of the following forms:

- Build only (B) contracts
- Design-Build (DB) contracts (Engineering, Procurement and Construction, EPC)

2.2. INFRASTRUCTURE PROCUREMENT OPTIONS THAT MAY BE REGARDED AS PPPS: DESIGN, BUILD, OPERATE AND MAINTAIN (DBOM)



There are some contracts which are financed by the government against the budget (such as a conventional procurement) but in which the selected contractor will carry out the construction works, future operations, and maintenance.

Under a DBOM(design, build, operate and maintain) contract, maintenance work is pre-contracted and is paid for directly by the government at a pre-agreed price.

The risk of unexpected maintenance costs can be transferred to the contractor in a limited manner, usually by means of liquidated damages.

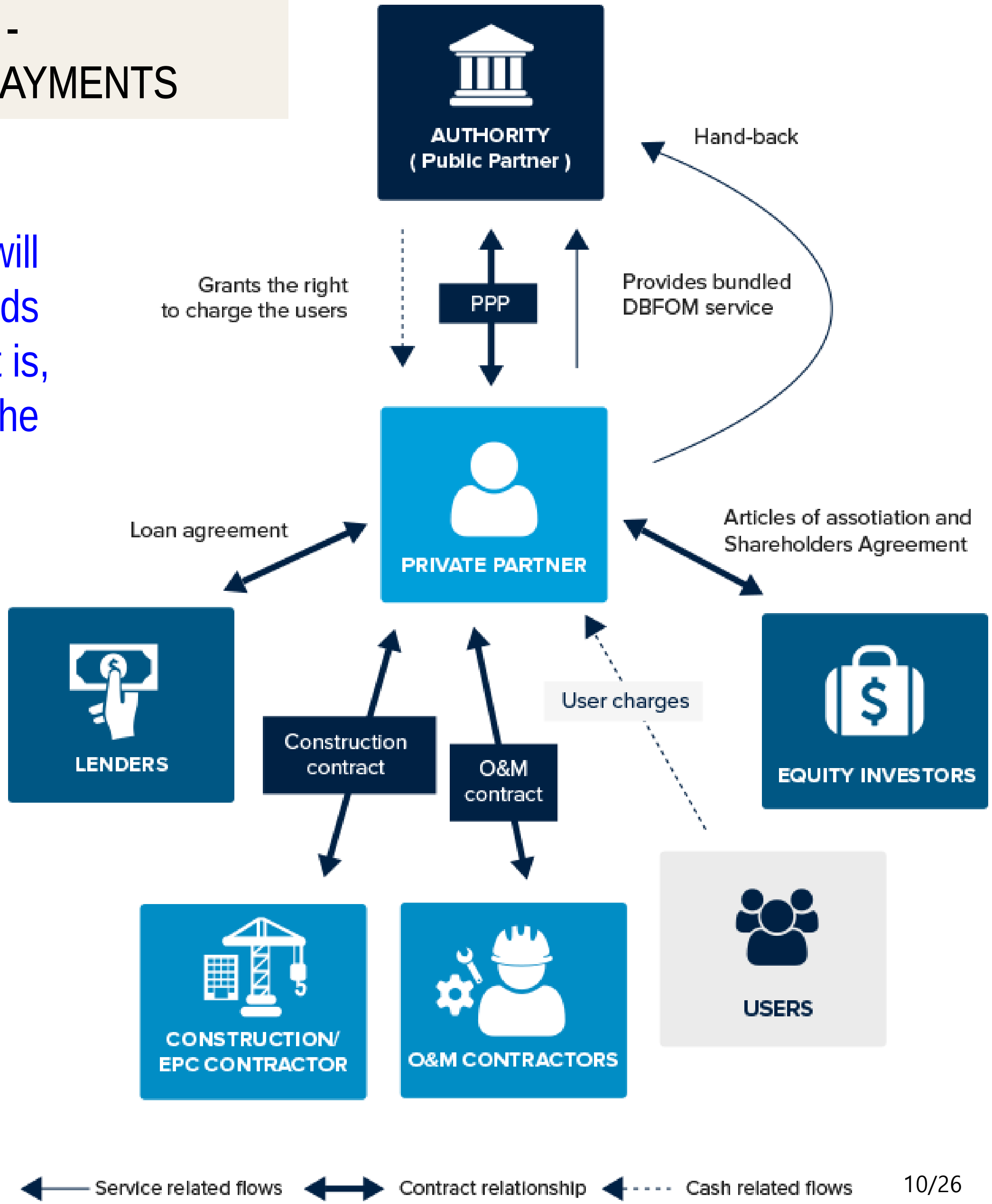
Works are financed by the public sector. Payments for the works are received by the contractor as work progresses (funded by the budget) and the asset. There after the contractor (considerer here as a private partner) provides maintenance (or operate and maintenance and is paid an O&M price for it). Works may be received by the Authority at construction completion or at the end of the contract depending on the jurisdiction and project.

Service related flows — Contract relationship — Cash related flows

2.3. USER-PAYS PPP OR A CONCESSION - DBFOM CONTRACTS BASED ON USER PAYMENTS

In a DBFOM contract, the contractor will develop the infrastructure with its own funds and funds raised from lenders at its risk (that is, it will provide all or the majority of the financing).

The contractor is also responsible for managing the infrastructure life cycle (assuming life-cycle cost risks) in addition to current maintenance and operations.



2.3. USER-PAYS PPP OR A CONCESSION - DBFOM CONTRACTS BASED ON USER PAYMENTS

DBFOM (and DBFM) contracts (and other equivalent terms such as Build-Operate-Transfer [BOT], Build-Own-Operate-Transfer [BOOT], Build-Transfer-Operate [BTO]) are the only type of contract (in terms of scope) that fulfill all of the conditions required to be a private finance PPP.

The private partner will recover the investment (directly in equity or indirectly with investment of funds raised in the form of debt) at his/her cost and risk from the user payments. The private partner will remain the economic owner of the asset during the life of the concession contract.

To carry out these tasks, the contractor (a private partner in the PPP context), will usually create an SPV.

However, whether a DBFOM contract may be regarded as a true private finance PPP depends upon the effectiveness of risk transfer and the nature of the links between the performance and revenue, as some DBFOMs may represent a DBOM with financing provided by the private party without the investors taking on any material risk. If there is no material risk transfer to the investors, the project will provide a similar VFM outcome to a DBOM rather than a DBFOM contract.

2.4. "AT-RISK" LONG-TERM MANAGEMENT OR SERVICE CONTRACTS (Samples)

- A 7-year contract to manage the tariff collection for a water supply service in a city, with performance penalties and bonuses (for example, based on increases in billing ratios).
- A 15-year public transport bus-operating concession where the PPP partner finances or renovates the fleet of buses and operates the service (including ticket collection). The revenue is based on the fare box plus subsidies, or on a service payment per kilometer.
- An IT management contract with a term of 7 years, where a public entity or governmental department contracts out the supply and maintenance of IT equipment and systems.
- A 12-year contract for the limited refurbishment and management of an existing public facility — including cleaning, catering, waste management, and maintenance (for example, a school, a public building office, and so on) — based on the payment of a rent in the form of availability payments, significantly subject to quality adjustments.
- A 10-year contract to manage waste collection services in a city under a fixed fee per year subject to quality deductions.
- A concession for the clinical services in a public hospital (usually including the medical equipment).
- A 10-year contract for street cleaning and gardening in a city, where the PPP partner is compensated by an annual fixed rent, subject to deductions based on Key Performance Indicator (KPI) targets.
- A 10-year O&M contract to operate and maintain an existing toll road, where the private partner´s revenue is an agreed percentage of the toll collected, or a fixed amount subject to availability and/or quality deductions.
- A 40-year concession to operate and maintain an existing toll road which is highly profitable

2. SCOPING THE PPP CONCEPT

FEATURES OF A PRIVATE FINANCE PPP						
	PPP FEATURE	DB	DBOM	DBF	DBFOM / CONCESSION (USER PAYS)	DBFOM OR DBFM / PFI (PUBLIC PAYS)
1	Is implanted in a contract (between private and public parties)	Yes	Yes	Yes	Yes	Yes
1B	Long-term nature	No	Yes, normally	Sometimes	Yes	Yes
2	Includes DB and OM bundled	No	Yes	No	Yes	Yes
3	There is significant risk transfer over the asset life cycle	No	Sometimes	No (only construction risks)	Usually	Usually
4	Includes finance by private sector	No	No	Yes	Yes (under project finance)	Yes (under project finance)
5	Revenues are linked to performance and/or use	No	Sometimes (by means of penalties or liquidated damages)	No	Yes (use)	Yes (performance / quality)

Main Responsibilities of the Public Sector

- **Identifying and procuring projects**: Driving forward the PPP project: identifying potential projects, appraising, structuring, drafting the contract, bidding on it, and finally managing the contract after it is signed.
- **Ensuring coordination and best practice approaches**: Ensuring that the correct processes are followed, that analysis of a proposed PPP is complete, that all the agencies that need to comment or give their go ahead do so, and that the body with approval authority receives all the information it needs to make a sound decision;
- **Public financial management**: Making sure that there is sufficient fiscal space to fund direct liabilities and also deal with situations where risks allocated to the public sector do crystallize into fiscal expenditures; and
- **Approving projects**: Giving the go ahead for the project to proceed. Approvals may be needed at several stages of project development.

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3. Privatization vs PPP

Privatization involves the permanent transfer to the private sector of a previously publicly-owned asset and the responsibility for delivering a service to the end user,

> In many countries (including Australia, France, the United Kingdom [UK], the US, and others), utility type infrastructure (such as electricity generation and distribution systems, and telecommunication systems) can be owned outright by private entities (rather than being subject to concessions) in schemes that may be regarded as "regulated investor-owned utilities". The public sector is not contracting the private agent for the specific purpose of developing and managing a public asset, but granting the private sector the right or authorization to conduct a business under certain regulated conditions for an unlimited period of time.

... whereas a PPP necessarily involves a continuing role for the public sector as a "partner" in an ongoing relationship with the private sector

3. Privatization vs PPP

Privatization versus PPPs

Privatization	PPP
The private sector owns the full property of the asset.	Normally the legal owner of the asset is the government and the asset has to be handed back when the contract expires.
There is no contract in strict terms, but authorizations and conditions are set in the regulation of the respective market sector.	There is a detailed contract specifically ruling the rights and obligations of each party.
Time to operate the asset is unlimited.	Time is limited by contract.
Privatization involves no strict alignment of objectives since it usually means that the government is not involved in the output specification of the privatized entity. It is of course the private providers that set the quality and quantity of the goods delivered, while they also specify the design and set the price (possibly after negotiating with their clients). (OECD 2008).	The government specifies in detail both the quantity and quality of the service that it requires.
The privatized entity will have much more liberty to set the price to be charged to users.	The company will receive the agreed price for the service (government-pays) or user-charges (in user-pays PPPs) which will be defined by government or agreed by the contract with no or very limited flexibility.

3. Privatization vs PPP

Key Points Summarizing Types and Forms of Private Participation in Public Infrastructure and Services

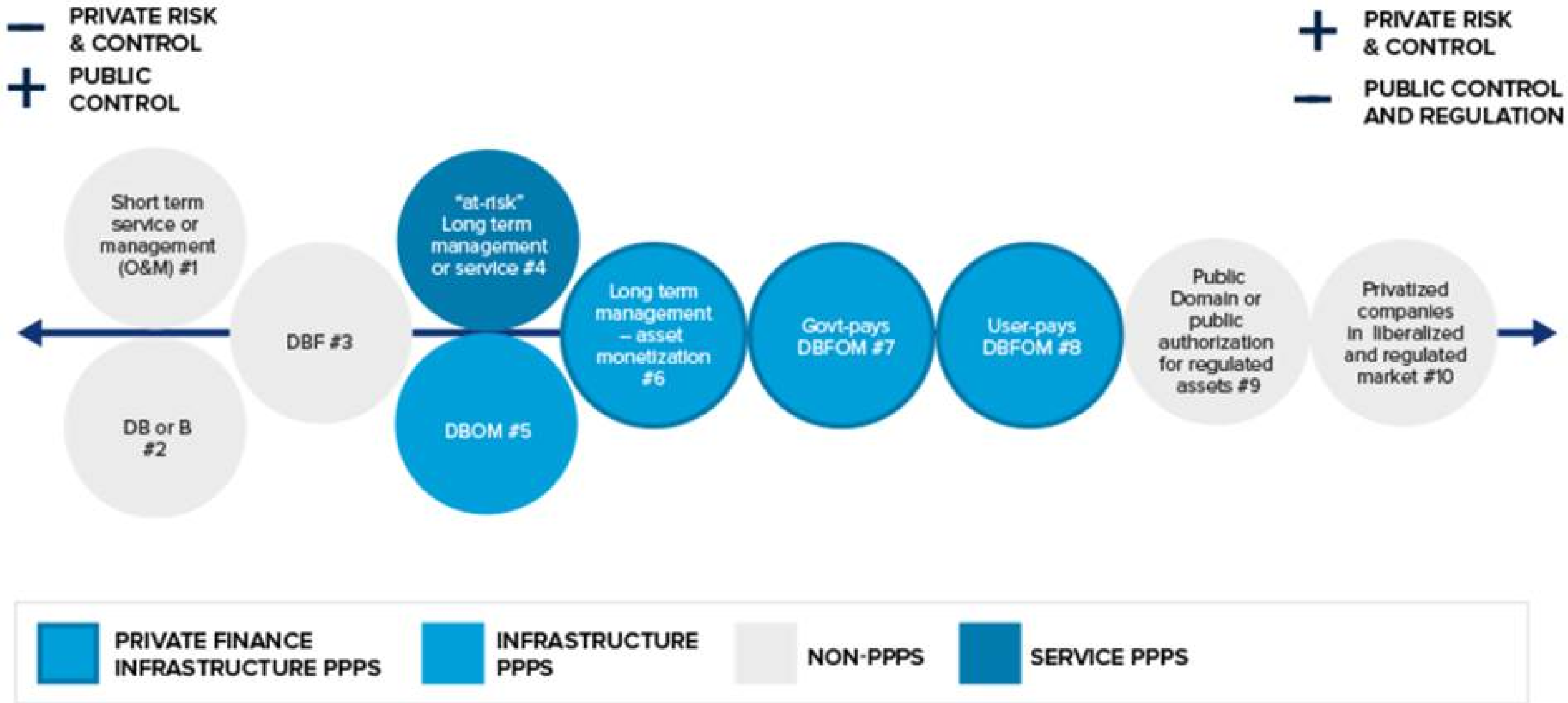
- Private participation in infrastructure may be under public contract procurement (where the government remains the ultimate owner of the infrastructure and/or service, controlling the asset and/or service to different degrees with higher or lower private involvement in the asset cycle) or may be under liberalized and regulated conditions (liberalized markets and/or privatized assets and services such as telecommunications or energy in a number of countries).
- Infrastructure contract procurement may range from traditional contracts for construction (B, DB and other similar forms) to wider and longer involvement by the private sector (DBOM and DBF), and to the widest scope where the private sector delivers and manages the infrastructure (and its potentially related services) under a public procurement contract (DBFOM and similar forms such as BOT and so on).
- DBF contracts are regarded as an infrastructure PPP model in some jurisdictions. However, only DBOM and DBFOM (and similar forms such as BOT and so on) include the obligation for long-term maintenance to be bundled with the construction obligation. These are also usually the only contract forms in which remuneration is based on the performance of the asset.
- DBFOM (or DBFM) contracts are the most typical form of private finance PPPs.
- Variations of DBFOM and DBFM include joint ventures (public and private parties co-owning the project company with material participation by the public party in managing the business), and co-financing PPPs (where the government is directly financing a portion of the asset investment from its budget).

3. Privatization vs PPP

Key Points Summarizing Types and Forms of Private Participation in Public Infrastructure and Services

- Joint ventures where the procuring authority (or a related government entity) controls the project company is referred to as institutional PPPs or “publicly-controlled PPPs”. This PPP Certification Guide considers that they may be properly regarded as PPP only when there is significant private equity investment in a joint venture.
- One hundred percent public company structures or “public-public partnerships” are not considered proper PPPs.
- Independent Power Producers (IPPs) operating under a Power Purchase Agreement (PPA) are a PPP case, similar in scope to a DBFOM.
- The PPP concept is also applicable to the management of existing infrastructure and the operation of public services, where there are long-term contracts transferring risks and where the remuneration of the private partner is based on performance of the asset or service (availability and/or volume of use). This is sometimes used to “monetize assets” or to “refinance” the public investment, previously done through conventional construction procurement, in a sequence of DB (and later on, FOM) contracts (mostly in self-feasible user-pays PPPs).
- A PPP should not be confused with a privatization, nor is the term PPP appropriate in the context of economic operators acting in a liberalized and regulated market (for example, electricity distribution companies acting in an energy market that has been liberalized and open to competition) as long as there is not a specific procurement to build and/or manage the asset for a limited period of time under a public contract with such a private operator.

3. Privatization vs PPP



EXAMPLES

- **#1** O&M 2 years contract for a road.
- **#2** Contract for design and build, or build only, of infrastructure (e.g. a road, a rail track, an entire rail system...).
- **#3** As in #2 but having the contractor pre-financing the works against future payments.
- **#4** 10 year contract for managing a water supply service, 15 years contract to manage bus transport operations in a city; 15 years contract to manage renewals and ordinary maintenance in a road, under fixed price and quality deductions. Sometimes named lease, affermage, concessions...
- **#5** contracts for delivering an asset where contractor will also provide maintenance for a number of years.
- **#6** 30 year lease or concession to operate an existing toll road against the payment of an upfront fee, or to operate a water system in a city.
- **#7** 25 DBFOM contract to build, finance and manage a hospital facility/building, or school, a road or a WWTP, etc. Being compensated by performance / availability payments. A Power purchase agreement (PPA) in an Independent Power Project (IPP).
- **#8** DBFOM 30 year contract of a road compensated by charges to users collected by the private partner, or a concession of water supply where extensive refurnishment and upgradings of infrastruture and plants.
- **#9** A concession to use the land in a port location to develop and operate port related facilities for 99 years at the entire risk of the developer; an authorisation to develop a renewable energy IPP to be compensated according to a regulated price subsidised according to renewable energy regulations.
- **#10** A telecom operator, or electricity distributor that competes for the clients/users under some limits / regulations.

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4. Key Decision Criteria

SUMMARY OF DECISION CRITERIA, PROCEDURES AND INSTITUTIONAL RESPONSIBILITIES ACROSS THE PPP PROCESS

	KEY DECISION CRITERIA	PROCEDURES
IDENTIFY PROJECTS AND SCREENING	· Does the project fit in with a broader plan for the sector?	· Prepare pre-feasibility or initial scoping study.
	· Is the project economically feasible and fiscally responsible? · Does the project meet PPP program objectives?	· Seek confirmation that the project contributes to a broader sector plan. · Seek confirmation that the project is economically feasible and fiscally responsible. · Submit project documentation for approval.

4. Key Decision Criteria

SUMMARY OF DECISION CRITERIA, PROCEDURES AND INSTITUTIONAL RESPONSIBILITIES ACROSS THE PPP PROCESS

	KEY DECISION CRITERIA	PROCEDURES
Appraise the project	• Is the project economically, technically, environmentally, and legally feasible? • Is the project affordable? • Is the project suitable as a PPP? (Commercially feasible and bankable, and likely to deliver Value for Money as a PPP?) • Is there an appropriate procurement strategy?	• Prepare a comprehensive appraisal which provides evidence of the project's economic, commercial, technical, environmental, and legal feasibility, as well as its affordability. • Conduct a Value for Money assessment of the suitability of the project as a PPP. • Prepare procurement strategy. • Submit project documentation for approval by relevant agencies.

4. Key Decision Criteria

SUMMARY OF DECISION CRITERIA, PROCEDURES AND INSTITUTIONAL RESPONSIBILITIES ACROSS THE PPP PROCESS

	KEY DECISION CRITERIA	PROCEDURES
Structure the procurement process and project contract	Does tender documentation reflect the procurement strategy? Have risks been identified and allocated to the most appropriate party? Are management plans in place for risks allocated to the government? Have contracts been drafted to reflect the risk matrix?	Prepare tender documentation, including qualification criteria, evaluation criteria, and proposal requirements. Prepare risk matrix and allocate risks. Develop risk management plans. Draft contracts. Seek approval for contracts. Refine and finalize procurement strategy. Obtain approvals.

4. Key Decision Criteria

SUMMARY OF DECISION CRITERIA, PROCEDURES AND INSTITUTIONAL RESPONSIBILITIES ACROSS THE PPP PROCESS

	KEY DECISION CRITERIA	PROCEDURES
Tender and award	Has the procurement process been competitive? Have qualified private partners been informed about the PPP? Have qualified private partners been given ample opportunity to express their interest and develop proposals? Has the selection criteria ensured a Value for Money private partner is selected?	Market the PPP. Undertake qualification/prequalification. Qualify (and, if necessary, shortlist) qualified firms. Issue Request for Proposals (RFP) and receive bids. Evaluate bids. Select the proposal that offers the greatest Value for Money. Sign the contract and reach financial close.

4. Key Decision Criteria

SUMMARY OF DECISION CRITERIA, PROCEDURES AND INSTITUTIONAL RESPONSIBILITIES ACROSS THE PPP PROCESS

	KEY DECISION CRITERIA	PROCEDURES
Manage the contract – construction, service delivery and hand back	Are there issues with project delivery that need attention? Should the contract be terminated or altered?	Manage the contract, including the delivery of the service against the agreed performance metrics/key performance indicators (KPIs). Communicate issues to central agencies if risk status escalates.

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The Role of International Organizations for PPP Projects in Agro-Fishery Development

The 2nd PPP Forum on Agriculture and Fishery Sectors among ASEAN and Republic of Korea, 21-24 August 2017

MAHFUZ AHMED

ASIAN DEVEVLOPMENT BANK

Key points

- Overview of PPP concept
- Essential requirements for effective PPP framework
- International Organization Role – examples and case studies
- Lessons learned and way forward

I. **Overview** - what are PPP?

World Bank: *a contractual arrangement between a public entity or authority and a private entity for providing a public asset or service in which the private party bears significant risk and management responsibility.*

Example: public sector engages private firm on build-operate-transfer (BOT) arrangement for an irrigation system.

PPP covers wide array of arrangements such as:

- Technology development/commercialising partnerships
- Sector/value chain development partnerships

Overview - what are PPPs?

- …any collaboration between public- and private-sector entities in which partners jointly plan and execute activities with a view to accomplishing agreed-upon objectives while sharing the costs, risks, and benefits incurred in the process.

……..Spielman, D. J., F. Hartwich, and K. von Grebmer. 2007. Sharing science, building bridges, and enhancing impact: Public–private partnerships in the CGIAR. IFPRI discussion paper no. 00708. Washington, D.C.: IFPRI.

- “Describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. “

Overview - types of PPPs

Based on Purpose

Resourcing partnerships

Contracting partnerships

Collaborative or joint venture partnerships

Based on Modality

Research partnerships

Commercialising (Product Development)

Sector/value chain development partnerships

Technology Transfer/ Exchange partnerships

Upscaling and stewardship partnerships

(Modified from Spielman et al, 2007)

Enablers of successful PPPs

- Shared common goals
- Universalization in applying knowledge -- Resource sharing paradigm
- Supportive macro-policies, regulations and instittions
- “Freedom – to – operate” – enabling regulatory and IP environment for supply-chaining
- Supportive internal systems and governance in each partner
- Mindset and culture for engagement

PPP Drivers and Suitability

Given a different set of circumstances, higher value-for-money may be realised by private sector participation. These **value-for-money drivers** imply a role for the private sector in the various phases of technology development.

- Ability to realise profit from technology products
- Ability to develop technologies with strong market potential
- Specialized competencies owing to scale economies and past investment
- Faster roll-out of new projects
- Improved quality of projects
- Risk sharing and complementarity between phases
- Measurability of outputs and performance indicators

II. Pre-requisites for Effective PPP Framework

Regulatory: A transparent, stable, and conducive and regulatory investment framework

Key areas:

- Infrastructure provision, operation – e.g. procurement law, user charges
- Property rights, including intellectual property (in case of R&D)
- Health, environment, and resource management (e.g. land, water)
- Investments in the agricultural value chain

II. Pre-requisites ….

Institutional: Effective institutional arrangements, including independent regulatory agencies, with clear lines of responsibility, are necessary to effectively promote PPPs.

PPP agencies or units vary among AMS

What is relevant in this Framework: Ministries of Agriculture, S&T ministries, NARS

National government - local government linkages

Need to define role, responsibilities, incentives

Pre-requistes …

Implementation and Development:

Prepare an investment program informed by analytical tools such as priority setting, theory of change, benefit-cost analysis

Selection of projects and modalities of collaboration should be based on a consultative process involving concerned stakeholders.

Design of PPP projects with significant investment exposure requires value for money analysis and whole of life analysis.

Pre-requisites …

Implementation and Development:

Terms and conditions of the public-private partnership must ensure proper alignment of incentives in terms of sharing risk, costs, and benefits of agricultural technologies.

Institute a system for monitoring of activities and outputs, as well as for evaluating outcomes and impacts, maintaining accountability, and reflecting lessons learned back into the project development cycle.

Such an M&E system is clearly the task of the public sector

.

III. International Organization Role in PPPs – World Bank

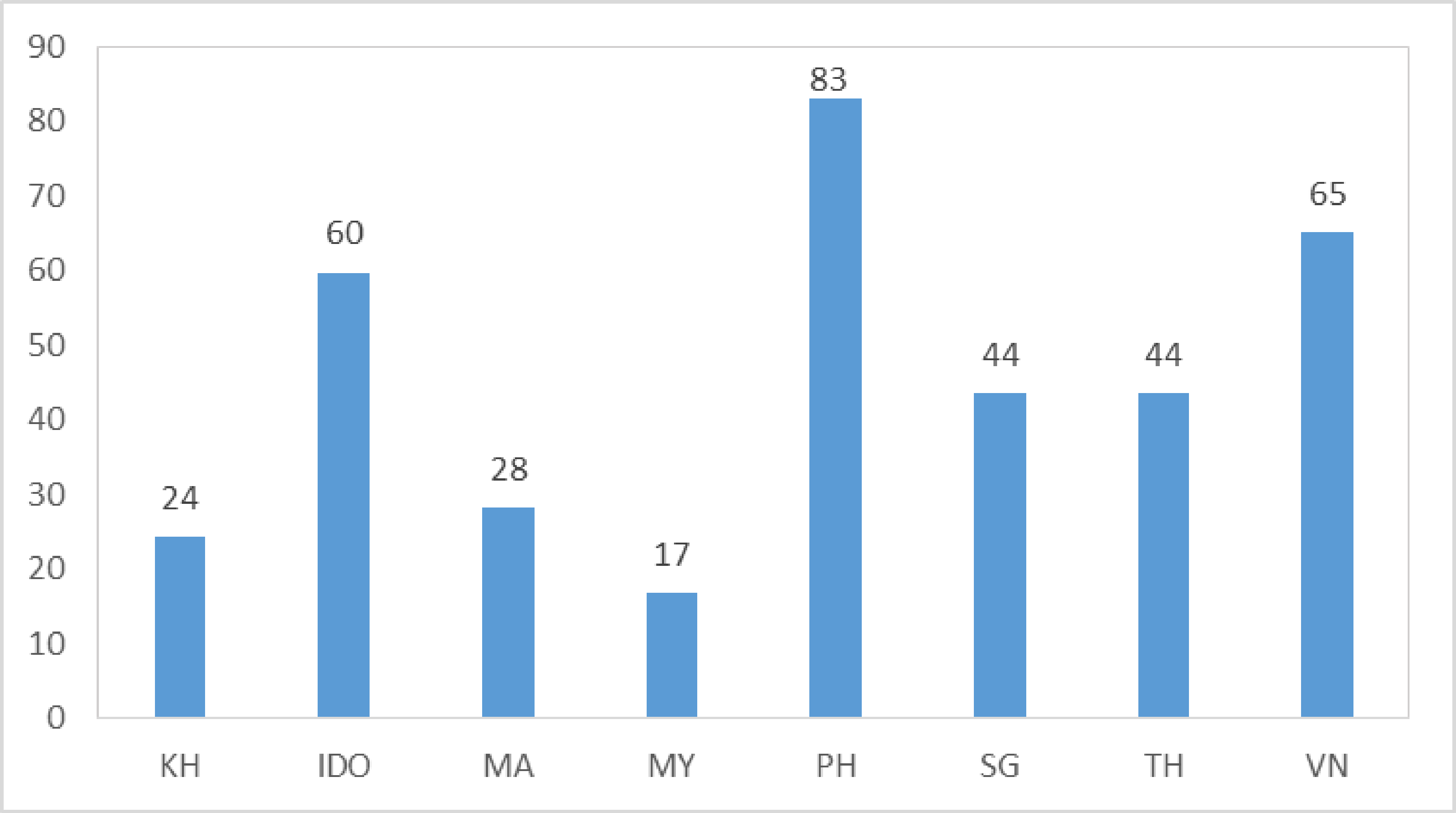
The World Bank (2017) conducted a scoring exercise to benchmark PPP procurement in 82 countries worldwide; evaluated the adoption of best practices in four dimensions of PPP, namely: preparation of PPPs; procurement of PPPs; handling of unsolicited proposals from the private sector; and PPP contract management.

Figure 1 summarizes results of the scoring the eight AMS, as a simple average across these dimensions (perfect score of 100).

The highest scoring is the Philippines, with highest scores in Preparation (96) and contract management (84), and tied with Vietnam on Procurement (85). The next highest. Five of the AMS had no regulations on unsolicited proposals (earning zero marks for this dimension). The AMS only just preparing their PPP systems earn the lowest scores (Lao PDR was not included in the benchmarking).

Source: Benchmarking PPP procurement, World Bank 2017.

Figure 1: Benchmarking PPP Procurement Scores of selected AMS



Source: World Bank (2017).

III. International Organization Role – ADB Case Studies in PPPs

Key Characteristics

- Support inclusive and sustainable farming models
- Public-private partnership for operations of value chain infrastructure (e.g., lease contract with private sector)
- Promote high-level technology (e.g., ICT application and climate friendly agricultural practices)
- Enable long term financing

2016 Case Studies

PRC: Sustainable Dairy Farming and Milk Safety

Client: Inner Mongolia Saikexing Breeding and Biotechnology Group (SKX)
ADB Assistance: $125m loan in dollars and yuan
Key features:

- ADB will provide a $62.5m yuan loan and will act as a lender of record for a participation by selected commercial banks equivalent to up to $62.5m in yuan
- The project will also allow the company, which currently owns about 100,000 cows across 27 farms, to develop another 4 new farms with 20,000 cows in total
- Saikexing will invest in state-of-the-art technologies that will halt the discharge of untreated animal waste and use waste for fertilizers, irrigation, and energy
- The project will promote modern dairy farming with better environmental sustainability and product safety

ADB's Value Addition:

- Help SKX set environmental and food safety benchmarks for the PRC's dairy farming industry
- Long-term financing is required to encourage private sector to make these investments
- Multiple projects at once. ADB can finance up to 31 farms in seven provinces and autonomous regions, ensuring a wide impact
- Encourage to provide long-term financing to SKX through complementary loans
- Lessons learned for future projects

Date Approved: 29 June 2016

$ = US dollars

2016 Case Studies

PRC: Inclusive and Sustainable Livestock Farming

Client: Jiangsu Lihua Animal Husbandry Stock Company (Lihua)
ADB Assistance: $62.5m loan and $32.5m B-loan in yuan
Key features:

- The project will promote an inclusive and sustainable livestock farming business model that includes smallholder farmers in sustainable production process
- Lihua is headquartered in Changzhou, Jiangsu, but has farms in six provinces. Annual production is around 193 million yellow chickens and 192,500 pigs
- PRC livestock sector has been associated with serious pollution, animal disease, and food safety issues. If not properly managed, the development of livestock farming could harm the environment and threaten public health
- ADB loan will support Lihua to expand breeder farms and contract farming and to increase capex for the environment, animal health, and food safety
- ADB's first inclusive business nonsovereign assistance to PRC's agribusiness sector – Lihua's unique contract farming model will provide decent and stable income to thousands of farmers and serves as a model for the livestock industry

ADB's Value Addition:

- Set a benchmark in terms of smallholder farmer inclusion, environmental sustainability, animal health, and food safety practices for the livestock industry
- Encourage commercial banks to provide long-term financing

Date Approved: 13 December 2016

$ = US dollars

VIE, PRC, INO: High-Value Horticulture Development

Client: Agripacific Group
ADB Assistance: $20m loan in dollars, yen, and yuan
Key features:

- The project will scale-up and transfer a successful high-value horticulture business model built on (i) the introduction of climate-controlled greenhouse technology in tropical highlands in Asia, and (ii) the integration of its business downstream into distribution in domestic and export markets
- The project will contribute to at least three targets of the Sustainable Development Goals: (i) implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, (ii) enhance regional and international cooperation on and access to science, technology, and innovation; and (iii) increase significantly the exports of developing countries

ADB's Value Addition:

- Multicurrency, long term finance
- Enhance Agripacific's environmental and social standards through the application of international safeguard standards
- Increase the visibility of Agripacific's business model, enabling less-advanced horticulture companies throughout Asia and the Pacific to learn from it

Date Approved: 16 December 2016

$ = US dollars

2017 Case Studies

REG: Agricultural Value Addition and Trade Project

Client: Olam International (Olam)
ADB Assistance: $175 m loan
Key features:

- The proposed $175 m loan comprise (i) an A loan of up to $100 m , (ii) a B loan of up to $75 m
- The loan will be use to fund Olam's expansion plan over the 2017-2018 period which include large midstream projects and working capital investments for smallholder farmer supply in Viet Nam, Indonesia , Timor-Leste, and Papua New Guinea.
- $3.0 million TA will support about 30,000 smallholder farmers in Viet Nam (coffee, cashew, and spices), Indonesia (coffee and cocoa), Timor-Leste (coffee), and PNG (coffee and cocoa).

ADB's Value Addition:

- Enhance Olam's environmental and social standards through the application of international safeguard standards
- Finance different projects in multiple countries at once.

Concept Approval Date: 28 March 2017

$ = US dollars

VIE: Fruit and Vegetable Supply Chain and Food Safety

Client: Vingroup Joint Stock Company (Vingroup)
ADB Assistance: $200 m loan
Key features:

- The proposed $200 m loan comprise (i) an A loan of up to $100 m , (ii) a B loan of up to $80 m, and (iii) a Canada Climate Fund loan up to $20 m
- The loan will be use to fund Vingroup's farm , contract farming and distribution to ensure domestic supply of high-quality and safe fruits and vegetables throughout Viet Nam.
- $1.0 million TA to support smallholder farmers with capacity building and certification and target the farmers' families and communities to ensure wider benefits..

ADB's Value Addition:

- Help Vingroup set high-quality and safe benchmarks for Viet Nam' s fruit and vegetables industry
- Enhance Vingroup's environmental and social standards through the application of international safeguard standards

Concept Approval Date: 4 April 2017

$ = US dollars

2017 Case Studies

PRC: Environmentally Sustainable Agricultural Input Distribution

Sponsor: Kingenta Ecological Engineering Group Co., Ltd (Kingenta)
Project Company: Kingfull Agricultural Service Co. Ltd. (Kingfull)
ADB Assistance: $50-60 m loan ; $30-50 m equity
Key features:

- Kingenta is PRC's largest producer and supplier of compound and specialty fertilizers
- Fund the establishment of 300 crop production service centers and the upgrade of 10 associated fertilizer manufacturing plants to provide high-efficiency compound and specialty fertilizers and other environmentally sustainable agricultural inputs and services to around 3 million smallholder farmers in 8 PRC provinces (including 6 poor, non-costal provinces)

ADB's Value Addition:

- Provide long-term patient capital that is not available from commercial banks/investors
- Enhance Kingfull's environmental and social standards through the application of international safeguard standards

Preliminary Concept Approval Date: 15 May 2017

$ = US dollars

IV. Lessons Learnt and Way Forward

- PPPs can bridge large financing gaps
- Not all inclusive business models (IBMs) are easily served by PPPs, as they are not ‘market-ready’
- Reaching scale remains a challenge for most IBMs
- Supporting institutions are critical to the success of IBM
- Partnerships are most effective when used to promote whole value chains or systems
- Interventions should include a “blend” of mechanisms, for example both technical assistance and grants, to be most effective
- All PPPs inherently do not benefit the poor, nor do they integrate them into their solutions

IV. Way Forward …emerging areas of public private partnerships

- Developing a competitive value chain
- Farm to market connectivity
- Wholesale markets
- Water for irrigation
- Insurance
- Agriculture research and innovation

Public Private Development Partnerships UNIDO Case Study

The PPDP Technical and Vocational Education and Training – Swedish Academy for Training

Gerald Cirilo Reyes
Programme Specialist/Team Leader
United Nations Industrial Development Organization (UNIDO)

Agenda

- Welcome & Introductions
- What is a Public Private Partnership?
- What is PPDP? - Video I
- Case Study – Swedish Academy for Training
- Discussion of Key Takeaways
- Concluding Remarks

UNIDO is the **specialized agency of the United Nations** that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability.

Mission:

Reduce poverty through inclusive and sustainable industrial development.

www.unido.org
www.lkdf.org

Public Private Partnership

- *World Bank Definition* – "A long-term agreement between a government entity and a private company, under which the private company provides or contributes to the provision of a public service."
- *"The goal of PPPs is to exploit synergies in the joint innovative use of resources and in the application of management knowledge, with optimal attainment of the goals of all parties involved, where these goals could not be attained to the same extent without the other parties" (Jomo and Chowdhury 2009)*

Small examples of PPPs

- TVET Mixed Education/Apprenticeship
- Public Park Maintenance
- Operations of Roads and Highways

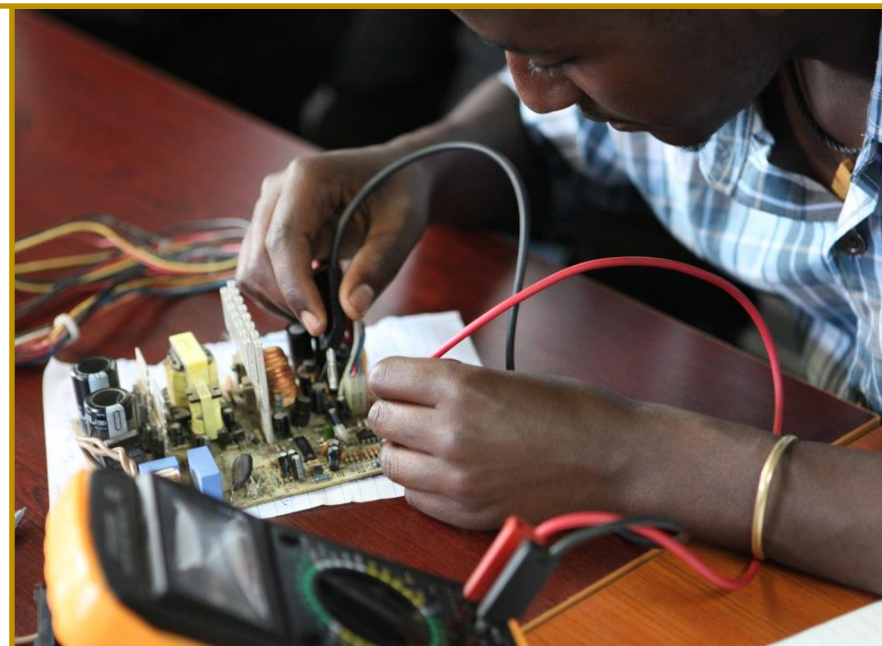
UNIDO implements vocational training PPDP projects

Development problem:

- High youth unemployment and poverty
- Lack of industrial skills and know-how
- Lack of market-oriented training

UNIDO approach:

- Establish & support **training academies** in partnership with private companies
- **Monitor performance** of training academies
- Collect & spread **best practices**
- Countries: **Ethiopia**, **Iraq**, **Morocco**, **Uruguay** & **Zambia**



UNIDO's Private Sector Partners:

VOLVO FESTO SCANIA

VIDEO

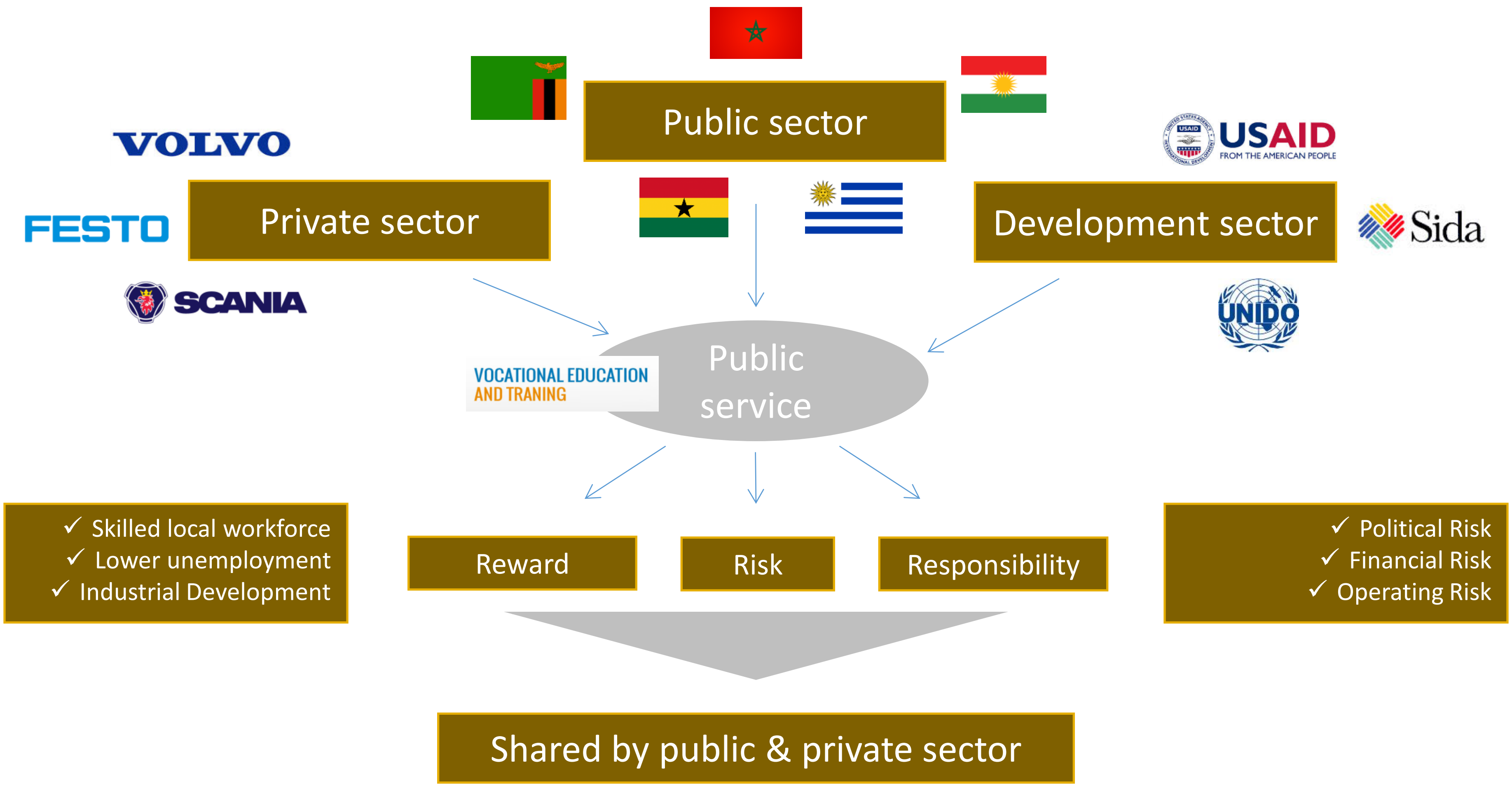
UNIDO PPP in Vocational Training - PPDP

- Is an innovative and non-contemporary approach to the PPP Model in the development of TVETs using Official Development Assistance, private sector business ventures, and public institutions.

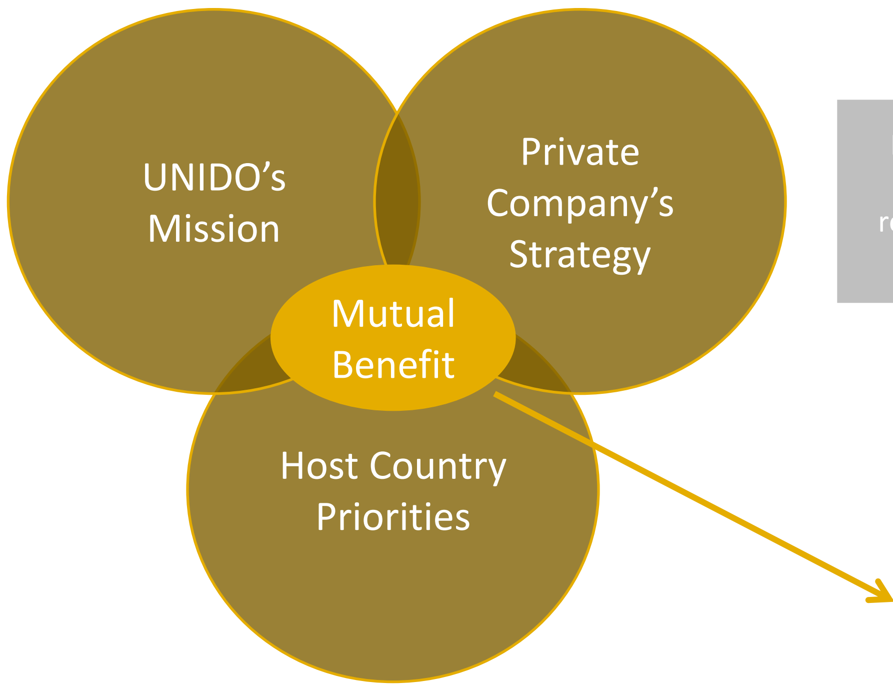
- The model showcases the **potential benefits** for all the partners through working on their shared interests.

- The overall objective of the PPDP model is to have clear and substantial benefit for people living in poverty through the delivery of public services efficiently by engaging different partners, including the private and development sectors.

PPDPs help deliver public services effectively



UNIDO aspires to reduce poverty through inclusive and sustainable industrial development.

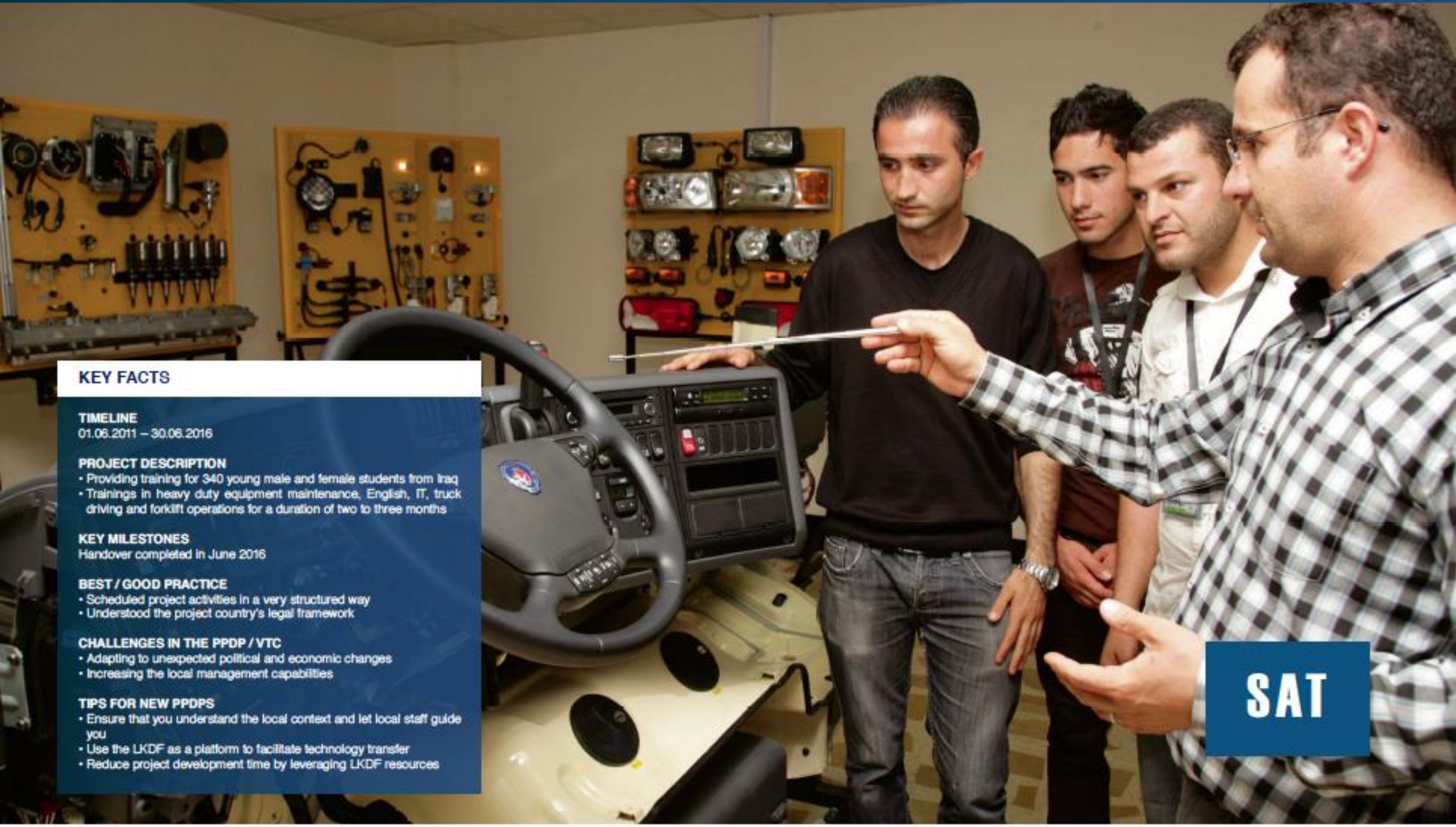


Private companies aim to enter new markets and require skilled workforce in these markets.

Establish and upgrade local industrial training academies

Developing countries want to promote economic development and employment opportunities.

SWEDISH ACADEMY FOR TRAINING (SAT) – IRAQ



KEY FACTS

TIMELINE
01.06.2011 – 30.06.2016

PROJECT DESCRIPTION
- Providing training for 340 young male and female students from Iraq
- Trainings in heavy duty equipment maintenance, English, IT, truck driving and forklift operations for a duration of two to three months

KEY MILESTONES
Handover completed in June 2016

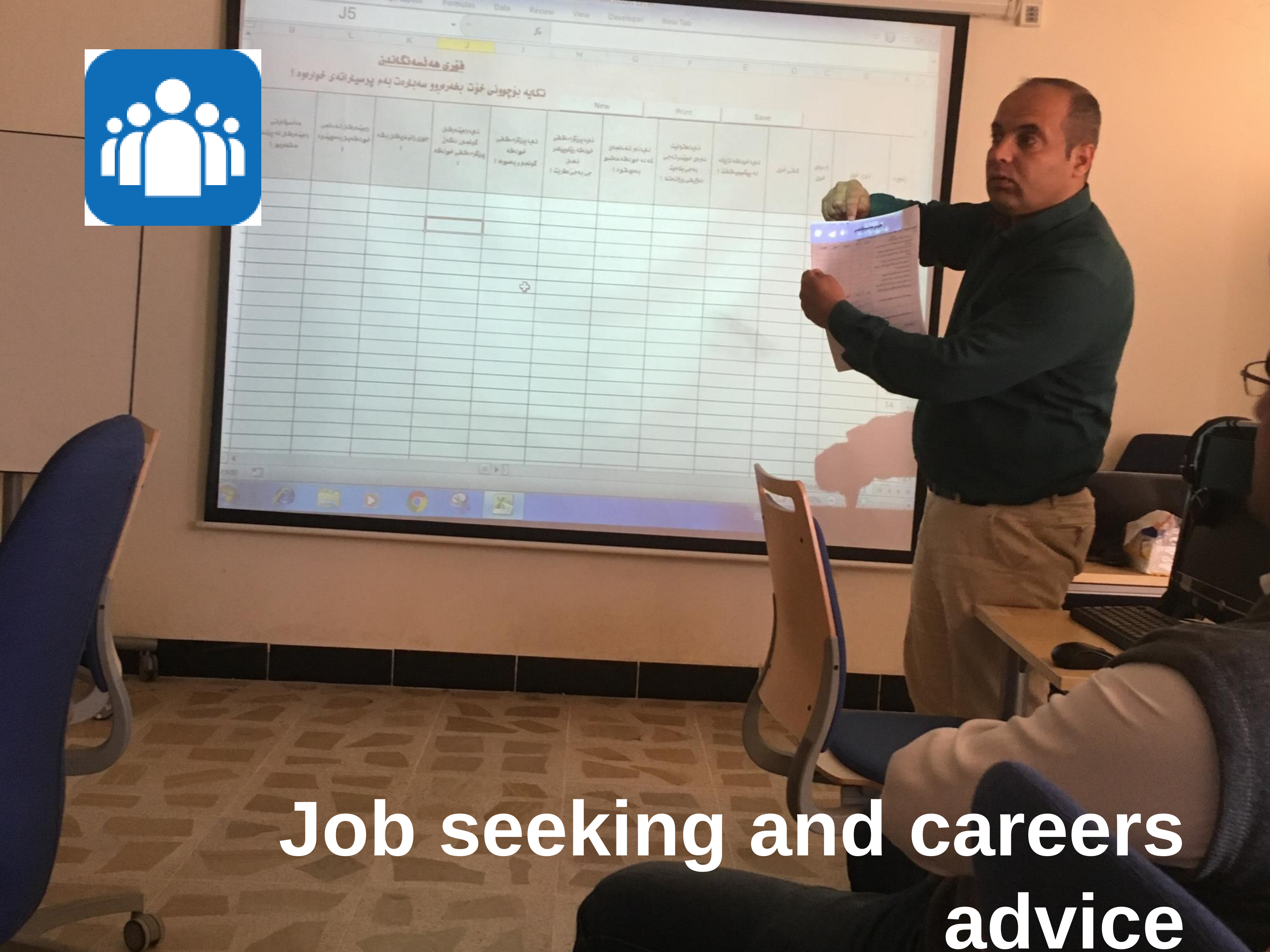
BEST / GOOD PRACTICE
- Scheduled project activities in a very structured way
- Understood the project country's legal framework

CHALLENGES IN THE PPDP / VTC
- Adapting to unexpected political and economic changes
- Increasing the local management capabilities

TIPS FOR NEW PPDPS
- Ensure that you understand the local context and let local staff guide you
- Use the LKDF as a platform to facilitate technology transfer
- Reduce project development time by leveraging LKDF resources

Profiling and student selection


Vocational
and
Technical
Training


Job seeking and careers advice


Capacity Building


Infrastructure

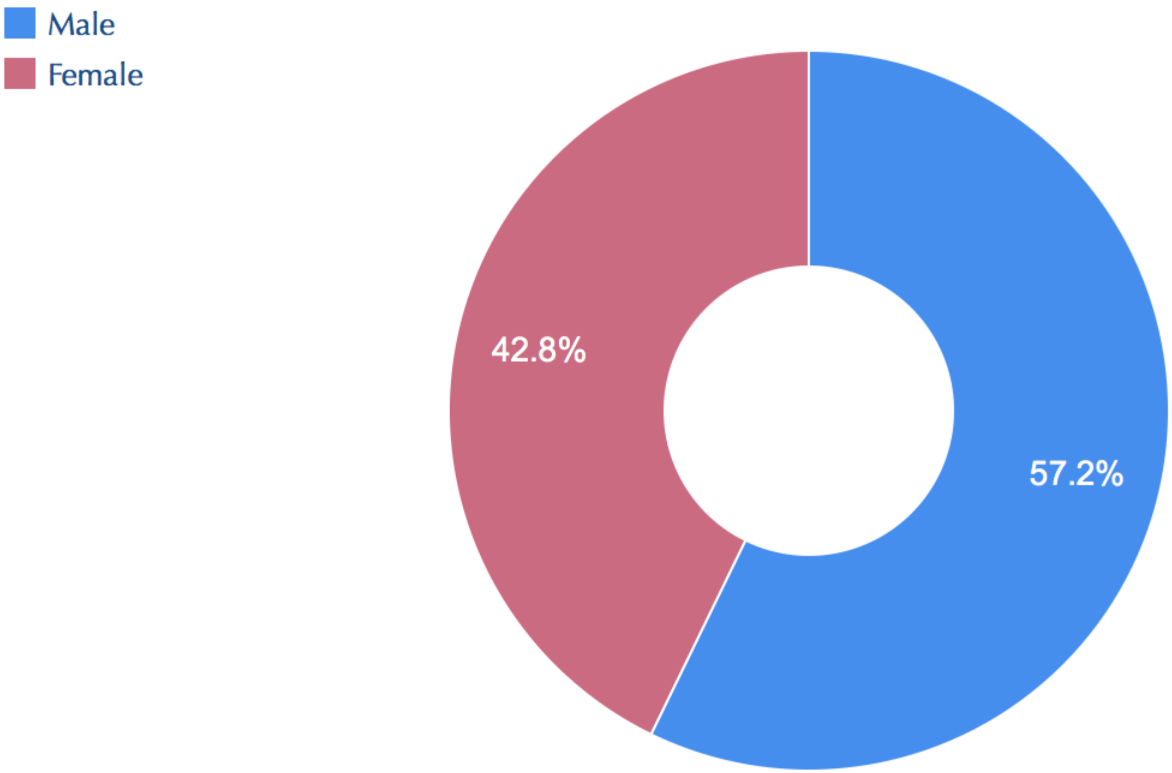
Case Study PPP Swedish Academy for Training

- The Swedish Academy for Training (SAT), a training academy in Erbil, in the Kurdistan Region of Iraq (KRI), was initiated as a joint initiative between SCANIA, the Swedish International Development Cooperation Agency (Sida), UNIDO, and the Ministry of Labour and Social Affairs (MoLSA) of the Kurdistan Regional Government (KRG).
- The key objectives of the project were to provide vulnerable youth with labor market relevant training and support private sector development by increasing the availability of skilled workers. Set-up as a collaboration between private and public partners around a common set of development goals, the SAT project was a first Public-Private Development Partnership in its kind
- Improve access of poor and young Iraqis to job-oriented and demand driven skills, with the purpose of improving employability.

Case Study PPP Swedish Academy for Training

- The project builds upon the existing infrastructure of the MOLSA Zaitun Training Centre to achieve the objectives. These facilities were modernized to meet the technical requirements for course delivery and following integration of the training resources
- Considering the adverse context, the SAT project has achieved many of its objectives:
- (i) the quality of training is manifestly high
- (ii) the school is operating, SCANIA assets have been transferred to the school, and management responsibilities have shifted from UNIDO to the local team
- (iii) the school has a strong reputation among students, government institutions, SCANIA, and other clients, is considered a “model” for vocational training, and there is a strong local ownership
- (iv) partnerships have been established with new donors and clients and new areas of training have been identified

SAT Gender Profile 2012 to May 2016 - all courses



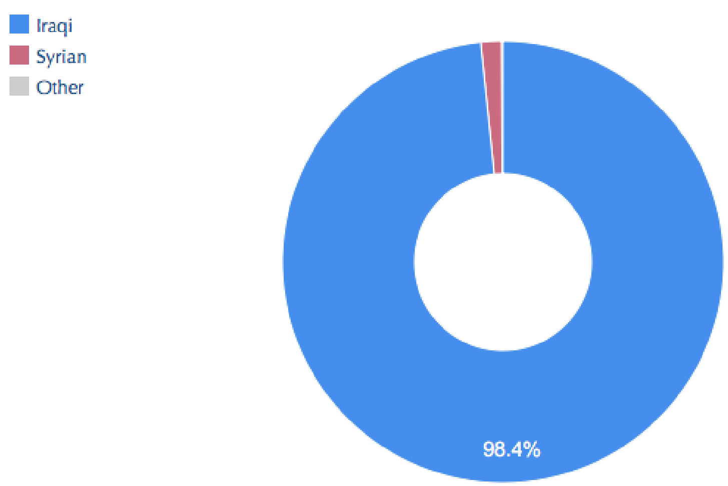
	2012	2013	2014	2015	2016*	
Male	207	316	247	226	127	*1123*
Female	90	259	214	188	78	*829*
Total	*297*	*575*	*461*	*414*	*205*	**1952**

* Up to end May 2016

SWEDISH ACADEMY FOR TRAINING

	2012			2013			2014			2015			01-01-2016 to 01-06-2016							
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Total Male	Total Female	Total	% Male	% Female
Mechanic	33	3	36	39	7	46	49	13	62	57	13	70	42	4	46	220	40	260	85%	15%
English Language	81	56	137	84	108	192	68	92	160	102	92	194	46	37	83	381	385	766	50%	50%
Computer Program	22	21	43	33	58	91	36	59	95	30	82	112	14	25	39	135	245	380	36%	64%
Total	136	80	216	156	173	329	153	164	317	189	187	376	102	66	168	736	670	1406	52%	48%
Companies & Others																				
Driving	0	0	0	30	2	32	1	0	1	5	0	5	4	0	4	40	2	42	95%	5%
Mechanics	27	3	30	81	0	81	41	0	41	28	1	29	0	0	0	177	4	181	98%	2%
Other courses	44	7	51	49	84	133	52	50	102	4	0	4	21	12	33	170	153	323	53%	47%
Total	71	10	81	160	86	246	94	50	144	37	1	38	25	12	37	387	159	546	71%	29%
Grand Total	207	90	297	316	259	575	247	214	461	226	188	414	127	78	205	1123	829	1952	58%	42%

SAT Nationality Profile 2012 to 2016 - all courses



Swedish Academy for Training - Today

- Self sustaining Vocational Training school having its own revenue
- Providing free quality training to vulnerable groups such as youth, IDPs and Refugees
- Has a well established business plan and target market
- Functioning despite the current ISIL crisis in the region

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Application to Agribusiness Development

- Community Infrastructures for Agro Processing including packaging, post harvest processing etc
- TVET for specialized farming (Greenhouse, Aquaponics etc)
- Nurseries for high value crops
- Community Market Places

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Discussion and Questions

Thank you!

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