

# PPP initiative

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## THE PPP CONCEPT

A Public-Private Partnership is a new way for Government to deliver services to the population. The objective is to achieve more and better services, at a lower cost for society.

It can be defined as a contractual arrangement whereby a private party performs part of a Government organisation's service delivery or administrative functions, and assumes the associated risks. In return the private party receives a fee according to predefined performance criteria, which may be:

1. Entirely from service tariffs or user charges
2. Entirely from a Ministry's budget or other budget
3. A combination of both

The essential aspects of a PPP arrangement, as distinct from the direct delivery of a public service by a Ministry are:

1. A focus on the services to be provided, not the assets to be employed
2. A shift of the risks and responsibilities to a private provider for the activities associated with the provision of services

PPP can have a number of benefits, which include:

1. Operational gains: ensuring that one delivers better or more services for the same price (efficiency gains), or making savings to release money for investment elsewhere. Operational gains can be achieved by focusing on outputs rather than processes, by generating economies from integrated design, building, financing and operating phases.
2. Strategic clarity: partnership contracts enhance accountability by clarifying responsibilities and focusing on the key deliverables of a

service. The managerial efficiency of a Ministry can benefit significantly as existing financial, human and management resources can be refocused on strategic functions.

### **FORMS OF PPP**

A PPP project can take 2 forms: a contract to supply services to the public sector or to sell services or assets from the public sector, or a Joint Venture. The various contractual forms are illustrated below:

1. Service Contract: the Government bids out the right to deliver a specific service and sometimes provides the assets needed. Such contracts are of a shorter duration than concession contracts. E.g security services
2. Management Contract: the assets of the institution continues to be public, but operational management becomes private. E.g management of hospital.
3. Leasing: under this contract, the private sector finances and builds a new facility which is then leased to the public sector. The public partner makes scheduled lease payments to the private sector and thus acquired equity in the facility. At the end of the lease period, the public agency owns the facility. Under the lease arrangement, either the public agency or the private operator may operate the facility during the term of the lease. E.g equipment
4. BOT/BOO: the private sector contract builds a facility in accordance with a design prepared by the public sector. In the case of the BOT, the private sector finances the construction of the facility but the facility is owned by the public sector, while in the case of the BOO legal ownership rests with the contractor until the end of the contract term. E.g of a BOT project is the construction of roads.

One end of the spectrum would be a mere outsourcing of some routine operations such as maintenance of building or provision of office accommodation. The other end would be large infrastructure projects like the Light Railway Transit System, which the private sector undertakes to finance, design, construct, maintain and operate, and takes a considerable proportion of the risk.

### **GOVERNMENT STRATEGY**

The government has designed a strategy to develop PPP in Mauritius, as follows:

- a. Design and implementation of a legal and policy framework. The objective is to design a policy and legal environment which will enable PPP projects. A joint public/private Task Force will make recommendations and benefits from the support of the PPP-Secretariat. One key output is the PPP-legislation, which will be enacted early 2003.
- b. Establishment of a list of PPP projects and identification of pilot projects. The Government will communicate to the public a list of projects that would fit into the PPP scheme. The PPP-Secretariat is currently working with several Ministries to identify potential PPP projects. A list of pilot projects will be prepared and, once approved by the Cabinet, will be communicated to the private sector. During the stage of project identification, it is important to ensure first that the concept of PPP is fully understood and the PPP-Secretariat is taking the opportunity of this exercise to clarify all concerns/questions about the concept.
- c. Capacity Building for the Public and Private Sector: A series of training and seminars will be held in Mauritius during the next months. At that stage of the initiative, the focus is on the development of PPP awareness and the web site as well as the newsletter are tools to ensure a broad diffusion of knowledge. The next stage is to organise training sessions on the application of the PPP concept to the preparation, procurement and contract monitoring.
- d. Promotion of PPP scheme and specific projects: This component's objective is to promote Mauritius as a destination for firms with expertise in PPP. The PPP-Secretariat is working closely with the Board of Investment (BOI) to design and implement a strategy for promotion.

### **ORGANISATIONS IN PLACE**

The PPP-Secretariat is composed of 4 full-time members of the Ministry of Economic Development, Financial Services and Corporate Affairs (MEDFSCA). The role of each member is described as follows:

1. Head of the PPP-Secretariat: Mr. Vickram Cuttaree, Adviser on PPP

2. Mrs. R. Boodhoo, Senior Economist (Policy)
3. Mr. D. Koodeeram, Economist (Projects)
4. Ms. S. Appadoo, Economist (Training & Promotion)

The team benefits from the experience of Dr. K. Baguant of the University of Mauritius as well as Mr. K. Vencatachellum, Senior Economic Adviser to the Minister.

A Task Force, chaired by the Director of the MEDFSCA has been set up jointly with the Private Sector and is already working on designing and implementing a favorable legal and policy environment to enable a fast development of PPP in Mauritius. The Task Force is supported by the PPP–Secretariat, which makes recommendations for discussion and approval. Membership of the Task Force is as follows:

<b>Public Sector</b>	<b>Private Sector</b>
Ministry of Economic Development, Financial Services and Corporate Affairs	Joint Economic Council
Ministry of Finance	Building and Civil Engineering Contractors Association
Ministry of Public Utilities	Institution of Engineers
Ministry of Public Infrastructure	Mauritius Bankers Association
Board of Investment	PricewaterhouseCoopers (local representative of member of the IFSL PPP Working Group)
Business Parks of Mauritius	KPMG (local representative of member of IFSL PPP working group)
State Law Office	

A team of consultants will prepare the legislation, based on the recommendations of the Task Force and will complement the work done by the PPP–Secretariat. The consultants will also undertake a medium and long–term institutional review to design the best organisation(s) to ensure the success of PPP in Mauritius.

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