INTRODUCTION BY HON. MINISTER K. C. KHUSHIRAM

It is my pleasure to launch the first edition of the PPP Newsletter. This publication, distributed on a broad basis to representatives of the public sector, the private sector, the trade unions and the media, is intended to contribute to the development of awareness in Public-Private Partnership (PPP).

The Government is fully committed to increase private sector participation in the development of our economy. PPP by reconciling the objectives and interests of the Government and the Private Sector and by making the best use of each party's resources and expertise, will be an important tool in achieving Government social objectives. PPP is going to impact almost all sectors of our economy and will dramatically change the way Government and Private Sector work. We need to proceed with determination but also with caution to avoid the mistakes of the past and to ensure that the enabling legislation and its implementation can be fully effective.

Awareness is the first step in the process of developing expertise in this field and it must be developed at a broad level. Members of public sector at all levels and trade unions representatives must understand how this new process of delivering services works and how better value for money can be achieved. The Private Sector needs to understand how its role will evolve, from assets builder to service providers in partnership with the Public Sector. The Press should also develop PPP awareness to fulfill its role of informing and educating the public in general.

The PPP-Secretariat will organise several events such as seminars and formal training courses. Members of the Secretariat will also be available to answer all questions you might have and I encourage you to contact them directly.

The role of the Newsletter, together with the new PPP-Secretariat website, is to distribute at a very broad level the knowledge that will enable the key stakeholders to make this concept become a success which will ultimately benefit our society.

K.C. Khushiram
THE PPP CONCEPT

Public Private Partnerships (PPPs) are contractual agreements between the public and private sectors to deliver public infrastructure based services. They aim at achieving outputs by creating a business opportunity for the private sector, while providing value for money to government, in the public interest.

PPPs are becoming increasingly used in developed and developing countries around the world, including United Kingdom, Ireland, Australia and South Africa. They can take a wide range of forms, depending on the degree of risk transfer from the public to the private sector. The partnership is thus structured so that risks are borne by those best able to control them, resulting in increased value for public services through the exploitation of private sector skills and competencies.

Generally speaking, there are 2 key drivers for PPPs to deliver infrastructure and services. One is constrained resources, the drive to find alternative means of financing capital investment in public services that fit the constraints of the public expenditure control regime and relevant legal and accounting conventions. The second one is value for money, as reflected in improved quality of service, lower whole life costs or a more rapid rate of investment (resulting in a faster rate of service improvement). Value for money is inherently linked to the transfer of risk and is a strategic objective of PPPs to improve the efficiency, effectiveness and economy of public service delivery.

One implication is the strong link between the quality and quantity of services delivered by the private sector and the payment for these services. The Government might not, for example, pay for the delivery of an asset but will make regular payments when the service is available to the public.

PPPs can usually take either of 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.

Different Forms of PPPs

~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

~management contract~ - the assets of the institution continues to be public, but operational management becomes private. E.g, management of hospital

~leasing~ - under this contract, the private sector finances and builds a new facility which it then leases 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

~BOT/BOO~ - the private sector contractor 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, construction of roads

One end of the spectrum would be a mere outsourcing of some routine operation such as maintenance of building or provision of office accommodation. The other end of the spectrum would be a large infrastructure project 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.

PPP is different from privatisation. In privatisation, there is a transfer of assets from the public to the private sector and this has led to a perceived lack of public accountability and the development of monopolies. PPPs on the other hand, have been designed with the intention of addressing many of the problems of privatisation by offering a long-term, sustainable approach to improving infrastructure, enhancing the value derived from government assets and making better use of public money, while at the same time retaining core areas of responsibility in the public sector. As a result, governments are increasingly considering PPPs as a method of delivering infrastructure projects and public services.

R. Boodhoo
THE NEW PPP-SECRETARIAT WEB-SITE

The new PPP-Secretariat web site is now online. The website will complement the newsletter and will be an online source of information that will be constantly updated. The website will also give the opportunity to everyone to interact with the PPP-Secretariat and download copies of the newsletter and training resources.

More specifically, the web site will have the following components:

- Update on the PPP initiative from the Government
- List of events, training and websites to develop expertise in PPP
- Copies of the newsletter and documents mentioned in the articles
- Background information on Mauritius

This first version of the website will be updated regularly by the PPP-Secretariat to provide up-to-date information about government initiatives and PPP events around the world.

We encourage you to visit it at:

http://economicdevelopment.gov.mu

and give us your feedback on the content.

PPP-Secretariat

INTERVIEW MR. RAJ MAKOOND, DIRECTOR JOINT ECONOMIC COUNCIL (JEC)

Q: What are your views concerning the development of Public-Private Partnerships in investment projects in Mauritius?

A: The Joint Economic Council (JEC) has always been supportive of Public-Private Partnerships in investment and believes that this will create new economic space for private sector participation in major projects, reduce public sector deficit and optimize the sharing of know-how.

Q: According to you, what are the major sectors that could attract private participation?

A: The infrastructure, public utilities and IT sector are likely to attract private participation. However, I believe that effort should come from both the private and the public sector to explore a number of opportunities and for this to happen, we need a change in the mindset as regards the financing of “public projects”. This change of mindset will emerge as a result of successful PPP projects and intensive education programme on PPP.

Q: What according to you are the main factors that would contribute towards effective partnerships between the public and private sector?

A: It is essential to have the appropriate legal framework and more importantly, the right drivers for PPP projects. Accordingly, there is a need to have an effective unit that will carry out a proper sensitisation programme, identify projects, prepare bids, negotiate with the private sector and at the same time, promote these projects in key capitals of the world.

Q: In what way could the private sector participate in the promotion and capacity building process which are essential elements in the development of PPP in Mauritius?

A: The private sector as a partner will have to be involved in the whole process that is, getting the right legal framework, building its own capacity to answer to public sector proposals and make its own submission. Furthermore, through strategic alliances with international counterparts, the private sector will be able to build its own capacity to respond to more complex needs that would arise in this field.

Interview conducted by S. Appadoo
GOVERNMENT STRATEGY FOR PPP

The Government Strategy is organized around the 4 main elements that will enable successful PPP projects.

a) Policy and Legal Environment

In order to have a favourable environment for the development of PPP, a complete review of the current policy and legal framework is being undertaken. One key component is the development of a new legislation early 2003 to replace the former “Concession Project Act”, which was repealed in 2000. A joint public private Task Force was established and has already identified the issues faced with the former legislation and is making recommendations to improve the policy environment for PPP. The Task Force benefits from the support of the PPP-Secretariat and a team of international experts will be soon recruited. This team will provide the new legislation, a set of manual of procedures to be used to prepare projects and a review of the institutional environment.

b) Capacity Building

The capacity building will enable members of the Government to prepare projects, evaluate proposals, negotiate contracts and manage projects. The Private Sector must be able to make proposals that meet Government objectives at a lower long-term cost. In order to achieve this, we need not only to master technical tools such as “Risk Management” but also to understand clearly the process of preparing a PPP project as well as the benefits it can provide to society.

The capacity building component is composed of 3 major blocks: awareness, PPP process and technical training. We are currently focusing on developing awareness to Government and Private Sector employees as well as members of trade unions, media and general public. The Seminar on 7 August 2002 is a successful example of initiative already implemented and the newsletter and website will contribute to the diffusion of knowledge on a very broad basis.

c) Project Identification

The objective is to structure PPP projects which will help Government achieve its social objectives and which will remain attractive to the private sector.

An important step is the development of a clear private sector policy exercise by the ministries in order to identify the role private sector can play in their respective sectors. The PPP-Secretariat has already started working with several Ministries to discuss the value PPP will bring and how projects could be structured into PPP. A small number of pilot projects will also be identified and will be implemented as soon as possible.

d) Promotion

The promotion component objective is to attract firms with expertise in PPP to bid for PPP projects. These firms would also create joint ventures with local firms, resulting in generation of employment in Mauritius. It is important to promote not only specific projects but also the PPP environment to attract foreign firms to a relatively small market. The PPP-Secretariat is working closely with the Board of Investment (BOI) on this matter.

If you have any question or suggestion regarding the strategy, please contact the PPP-Secretariat directly.

V.Cuttaree
ORGANISATIONS INVOLVED IN PPP

PPP-Secretariat
The PPP-Secretariat has been established at the Ministry of Economic Development, Financial Services and Corporate Affairs on 1st July 2002.

The role of the Secretariat is to implement Government strategy on PPP and supports the joint public/private Task Force. The PPP-Secretariat is composed of small and dynamic team of 4 members and is structured as follows:

- **Mr. Vickram Cuttaree**, Adviser on PPP (Head).
- **Mrs. Rubyna Boodhoo**, Senior Economist (Policy).
- **Mr. Deoprakash Khoodeeram**, Economist (Projects).
- **Ms. Sanju Appadoo**, Economist (Training & Promotion).

Mr. Cuttaree graduated from the Ecole National Superieure d’Arts et Metiers (MSc Engineering) in France and from Yale University (MBA). He worked during several years in Paris and Brussels for Procter & Gamble and in Strategy Consulting in the USA.

Advisers
The Team benefits from the support of the World Bank (Mr. Ivan Rossignol, Senior Private Sector Specialist) and 2 advisers:

Dr. K. Baguant, Senior Adviser on PPP. Dr Baguant was the Chairman of the Selection Committee set-up to evaluate BOT proposals. He was the Dean of the Faculty of Civil Engineering and brings to the team a strong expertise in Concessions and BOT.

Mr. K. Vencatachellum, Senior Economic Adviser to the Minister, has extensive international experience at the World Bank and the UNIDO. More recently, he was involved in developing awareness of BOT in several African countries.

PPP Task Force
A joint public/private Task Force has been set up to focus on the policy and legal aspect of PPP. The Task Force, under the chairmanship of Mr. G. Wong So, Director (MEDFSCA) will make policy and legal recommendations, which will lead to the legislation on PPP.

Task Force Members (and delegates)

**Ministry of Finance**
- Mr I. Bonomaully, Senior Financial and Management Analyst
- Mr V. Soondram, Senior Financial and Management Analyst

**Ministry of Public Infrastructure, Land Transport and Shipping**
- Mr V. Luchmeeparsad, Principal Assistant Secretary
- Mr A. Cuninah, Principal Assistant Secretary

**Ministry of Justice & Human Rights & Attorney-Generals Office**
- Mr S. Boolell, Assistant Solicitor-General

**Ministry of Public Utilities**
- Mrs M. Nathoo, Principal Assistant Secretary
- Dr P.M.K. Soonnarane, Policy Planning and Research Officer

**Mauritius Bankers Association**
- Mr J. Marianne, Secretary

**Representative of Joint Economic Council**
- Mr R. Makood, Director

**Business Parks of Mauritius Ltd (BPML)**
- Mr D. Manraj, Chairman
- Mr T.R. Saha, Adviser

**Board of Investment**
- Mr G. Commarmond, Managing Director
- Mr D. Chamroo, Director

**Representatives of Building and Civil Engineering Contractors Association**
- Mr D. Adam / Mr JC Maingard, General Constructions
- Mr N. Potgieter, Rehm Grinaker

**Representative of Institution of Engineers**
- Mr C. Wong So, Chairman
Local representative of members of IFSL PPP Working Group

- Mr. B. Mayer, Partner, PricewaterhouseCoopers
- Mr. D. Lenette, Manager, PricewaterhouseCoopers
- Mr. D. Armoogum, Director Consulting, KPMG
- Mr. T. Bloemers, Senior Consultant, KPMG

Resource Persons

- Dr K. Baguant, University of Mauritius
- Mr J.M. Desvaux, Special Adviser to the Minister of Finance
- Mr M. Baguant, Chairman Central Tender Board (CTB)

S. Appadoo

THE UK EXPERIENCE IN PPP

Each edition of the newsletter will contain examples of application of the PPP concept in various countries and sectors. This first article provides an overview of how PPP contributed to the UK economy during the past few years. A small list of small projects is also included to give an idea of how PPP can be applied to Mauritius.

The UK has a long experience of including private participation in the delivery of public goods. PFI/PPP has really started around 1992 with the abolition of the rules that had severely restricted the use of private capital for the funding of public assets.

The Labour Government, since 1997, has started tackling the main obstacles for the development of PPP, with the following results:

- Around £8 bn of PPP capital was raised from 1997 to the end of 2000 and a further £20 bn was expected to be raised in 2001 and 2002.
- Over 400 contracts on PPP projects had been signed by end-2000. A lot of deals signed since 1997 have not been very large schemes.
- The schemes resulted in an average savings of 17% compared with conventional procured schemes.

The UK experience shows that PPP application is not limited to huge infrastructure projects and can be applied to a variety of sectors, even for relatively small-scale projects. A 5-year-review was published on the impact of PPP at the local level. Some of the successful PPP projects are described below:

Transport

18 Transport schemes were approved for £913 million, including schemes that deliver new street lighting, roads and improvement to the highway infrastructure. The £45 million Walsall Street Lighting project seeks to reduce night-time road accidents, crime and the fear of crime and the £120 million Portsmouth Highway Management will improve the transport infrastructure for a wide range of road users.

Housing

20 projects have the objective of providing social housing at the local level. The first project provided 51 new flats with the objective of improving the quantity and quality of social housing in South Yorkshire.

Social Services

The Department of Health has undertaken 14 PPP projects, covering a range of care needs including children’s homes; residential care facilities and facilities for older people. The first PPP project in social services was signed in 1998 and provides care for 800 older people in 17 homes. In Dudley, the first jointly public/private scheme in this sector provided a library, social services, and community health services in one location.

Leisure

The Department for Culture, Media and Sport approved nine leisure schemes. One of the projects is the new Bournemouth Borough Council’s Central Library which is over 3 times the size of existing council facilities. The PPP scheme included funding for Information and Communication Technology (ICT) was well as for new books.

Source: PPP Programme, UK
CAPACITY BUILDING STRATEGY

This article details the capacity building strategy currently implemented by the PPP-Secretariat. It also gives an update on the activities done so far to develop PPP expertise at the Secretariat level. The current focus is on developing awareness and it is expected that training courses on the PPP process will start in a few months.

Capacity Building Strategy
The Capacity Building Strategy is organized around 3 major blocks:

Awareness

Even before starting to formally train Government officials and representatives of the private sector, it is important to develop awareness at a broad level. PPP will bring a fundamental change in the way Government provides services to the public and in the way Private Sector delivers these services.

It is therefore essential to explain the concept and its application to various sectors not only to high-level officials in Government and Private Sector but also to the public (through the media), the trade unions and everyone who might be interested in the concept.

Seminars and articles in the press will cover various aspects of the PPP concept. Members of the press have received an information package and the PPP-Secretariat will maintain regular contact to ensure they develop the expertise needed to inform the public. The PPP Newsletter and the web site will guarantee that everyone has access to the information.

PPP Process

Once the awareness has been developed at a broad level, it is essential to start training people on the PPP process. Members of the Government with direct involvement in the preparation of projects as well as the private sector must be able to apply the concept to the various stages of the project life cycle: feasibility, procurement, contract management.

One key concept to master is the measure of value-for-money and the allocation of risk. This expertise will be developed through training courses and experience in structuring and managing the first PPP projects. These training courses must include or be followed by a series of case studies to illustrate the application of the concept to various sectors and industries. As this expertise is not currently available in Mauritius, contacts have been established with various organisations outside Mauritius to organise training courses in the country.

Technical Training

Once the concept has been fully mastered and can be applied, some technical expertise will have to be developed. Training in areas such as project finance, risk management, negotiation, contract management will have to be undertaken. Moreover, the Ministries and private companies will need to invest in software packages to make accurate forecasts and to support the negotiation process. These training are not specific to PPP and will concern only a small number of people who will need to develop specialised skills.

Formal training as well as self-tutorial packages will be identified soon by the PPP-Secretariat.

Capacity Building at the PPP-Secretariat

The PPP-Secretariat is creating a small library with briefs and articles to develop the understanding of PPP. The conference organised on 7 August 2002 is available in Video and VCD formats. A list of training resources has also been compiled and is available on the web site.

In order to develop expertise, Mrs. Boodhoo and Mr. Khoodeeram attended a training course on “PPP Foundation” in South Africa on 23 and 24 August. Following the training, they had the opportunity to discuss with members of the South African PPP-Unit to investigate opportunities of collaboration and visited some PPP sites.

Mr. Cuttaree has done the same during the last week of September in Dublin and London. He met the Head of the Irish PPP Unit, IFSL, Government officials and representatives of the private sector. He also attended a 2-day training on the PPP process in Dublin.

V. Cuttaree
CASE STUDY: PPP IN OFFICE ACCOMODATION

This article focuses on the application of PPP to office accommodation. It shows how risk can be transferred to the party who can best manage it and describes the payment profile of a PPP project vs. the conventional way.

The conventional way:
Under the traditional process, the construction and maintenance of a building is often done in 2 phases: the construction and the operation/maintenance. In the traditional process, the Government prepares all technical specifications for the building, including a floor map. Through competitive tendering, a firm is selected to perform the work and is responsible only for the delivery of the assets. Once the building is delivered, the Government might undertake the operation and maintenance of the building or decide to allocate several contracts for these services. Most of the time, these contracts describe in details the tasks to be performed by the service providers but do not contain any payment based on the level of service.

The PPP way:
PPP is based on 2 key concepts: value-for-money and risk transfer. One direct implication is the focus on services rather than assets. What Government wants is not a building but office accommodation. The private party is not rewarded for the delivery of assets but for the provision of services. What Government wants is not a building but office accommodation. The private party is not rewarded for the delivery of assets but for the provision of services. As a result, the payment starts when the service is available and will not increase in case of cost overrun or delay by the private partner. The Government will make regular payments to the private sector and these payments will be closely linked to the quality and quantity of services provided. Moreover, the firm designing and constructing the building has an incentive to perform a quality work, as it will be responsible for the maintenance. The construction risk been transferred to the private sector, who is in the best position to manage it.

The possibility of innovation in the design and integration of the construction and maintenance will enable the private sector to provide a solution at a cheaper cost for the public sector, while at the same time making profit.

Payment profiles under conventional public procurement and PPP procurement:

Conventional public sector procurement

PPP Procurement

The Government defines objectives in terms of output, for example, the number of officers in the building, the level of service required for the IT network, energy consumption per employee or the temperature in the offices.

The private sector will have the flexibility to design the building, using for example automated windows in conjunction with the use of special material for the ceiling to cool down the building. Intelligent lighting, dimming lights when the sky is bright or turning them off when the building is unoccupied, together with an energy management system, can ensure the desired energy savings and that the building will continue to operate efficiently through its life.

This is not theory: the examples given above are taken from a PPP project for the North Wiltshire District Council in the UK. A private sector company was responsible for the design, construction and provision of operational services for 25 years. Other features of the building are a state-of-the art LAN Telephony system, a security system with proximity card readers on selected doors opening only for authorised personnel, an audio-visual equipment, a central atrium allowing natural ventilation and maximising daylight in the building.

V. Cuttacee
The PPP-Secretariat organised a seminar on Public-Private Partnership on 7 August 2002 at La Pirogue Hotel. The objective was to develop awareness within the public and private sectors of the role PPP can play in Mauritius. Members of the public sector, the private sector, trade unions and the press participated in the seminar.

In his opening speech, the Minister of Economic Development, Financial Services and Corporate Affairs, Hon. K.C. Khushiram insisted on the need to develop further the cooperation between the public and private sector and the changing role and responsibilities of each party in the delivery of services to the public. He stated that a list of relevant training resources to develop awareness and expertise in PPP has been established and that the Seminar was the first of a series of initiatives that would be implemented to improve familiarity with the PPP concept.

The resource person for the Seminar, Dr. Timothy Stone, Chairman of the IFSL PPP Working Group focused his lecture on the principles of PPP, the UK experience, and the factors influencing the success of the PPP initiative.

Some specific topics covered were:

> Benefits of UK from PPP Projects include:
  • faster delivery of infrastructure services
  • economy of resources in the long term
  • delivery of more consistent quality of services
  • minimisation of recurrence of delays and rework
> PPP has been applied successfully in the following sectors: transport, education, housing, government accommodation, social services. As an illustration, 34 major hospitals deals were signed in the UK since 1995; and over US $ 25 billion signed to date.
> Some important lessons from the UK experience are:
  • It is a new market
  • The process is about building businesses and not procurement
  • The quality of public debate in the UK is poor
  • It is not recommended to apply directly the UK experience to a country without taking into consideration the local specificities.
> Some general trends regarding the implementation of PPP can be identified:
  • The main drivers for implementing PPP remain the Government budget deficit and historic under-investment in some sectors.
  • Some countries (Ireland, Australia) are more successful than others (Germany, USA) in implementing PPP.
  • The general media coverage is poor, with only a handful of journalist who really understand the concept.

At the end of the lecture, Dr Stone answered queries from the attendees. Some of the questions were as follows:

> Which are the countries whose experience might be relevant to Mauritius in the setting up of the PPP: UK, Netherlands, South Africa, Ireland and Australia.
> How is the Procurement organised in the UK?
  • There is a centralised approach, that is, the same institution prepares the tender document, advertises, evaluates and makes recommendations
  • Competitive Bidding (initiated by the Government) is the most frequently used method of procurement
  • In the case of unsolicited projects, the UK Legislation provides for the protection of intellectual property but it is used in a very small number of cases
> Are tendering costs refunded?
  • The unsuccessful bidders are refunded a fixed amount for their tendering costs provided they are on the short list.

Dr Stone concluded by saying that Mauritius could build its PPP on UK’s experience but would need to adapt the process to its own particular context. He emphasised the need for a continuous review of the process and pointed out that the process would bring about a change in the work culture of both the private and public sectors.

Slides of the presentation will be posted soon on the PPP-Secretariat web site. The recording of the seminar (VCR and VCD) is also available at the PPP-Secretariat

D.Khoodeeram
## PPP Resources

**List of Reference Materials on PPP**

**Public Private Partnership Programme – 4Ps**
http://www.4ps.co.uk/events/index.htm

The Public Private Partnership Programme (4Ps) has been established to bring about increased investment in local authority services. One of the main aims of the 4Ps is to distribute know-how, that is, detailed information about the processes involved in PFI and PPP projects.

**Private Finance – i.com**
http://www.privatefinance-i.com/

Contains PFI tutorials, market analysis reports, top 10 downloads and documents related to PPP

**Institute of Public Private Partnerships (IP3)**
http://www.ip3.org/t_overview.htm

Regular updates of seminar, on-line courses, on-site and customised training on PPP

**International Project Finance Association**
http://www.ipfa.org/shockedindexbranch1.htm

The Trade association for PFI, PPP and Project Finance contains latest news, IPFA analysis, directory of useful publication relating to PPP projects.

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**Internet Resources**

**World Bank Infrastructure Finance Courses**

**UNDP PPP for the Urban Environment**
http://www.undp.org/pppue/about/purpose.htm

**Infocast Global Learning Network**
http://www.informationforecast.com/confist.htm

**Ireland PPP Unit**
http://www.ppp.gov.ie/

**South Africa PPP Centre**
http://www.pppcentre.com/

**Partnerships UK**
http://www.partnershipsuk.org.uk

**Australia (Partnership Victoria)**

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S. Appadoo