

Public Private Partnerships

Getting Them Done, Getting Them Right

Sri Lanka Economic Summit 2016

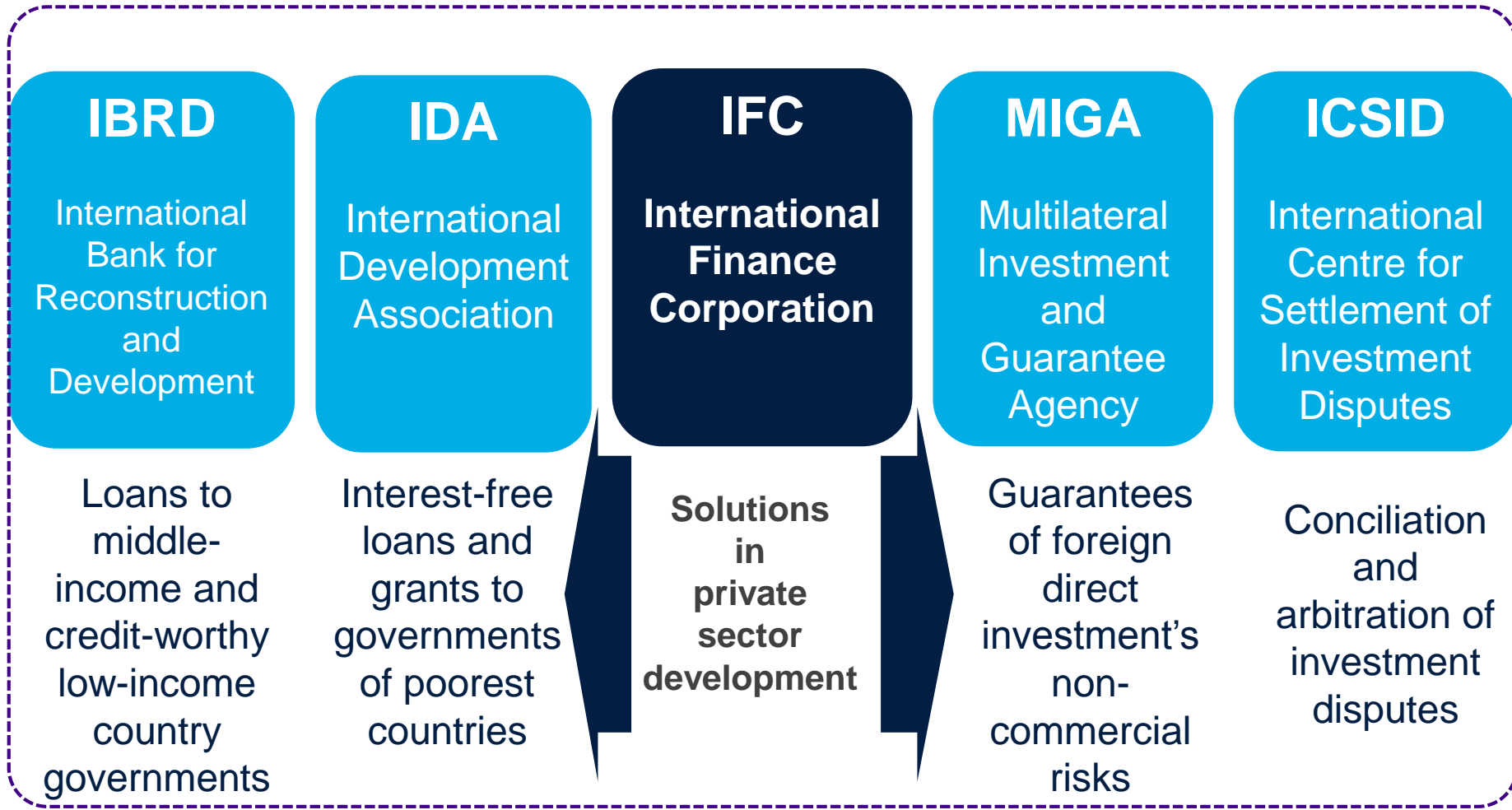
Organized by the Ceylon Chamber of Commerce



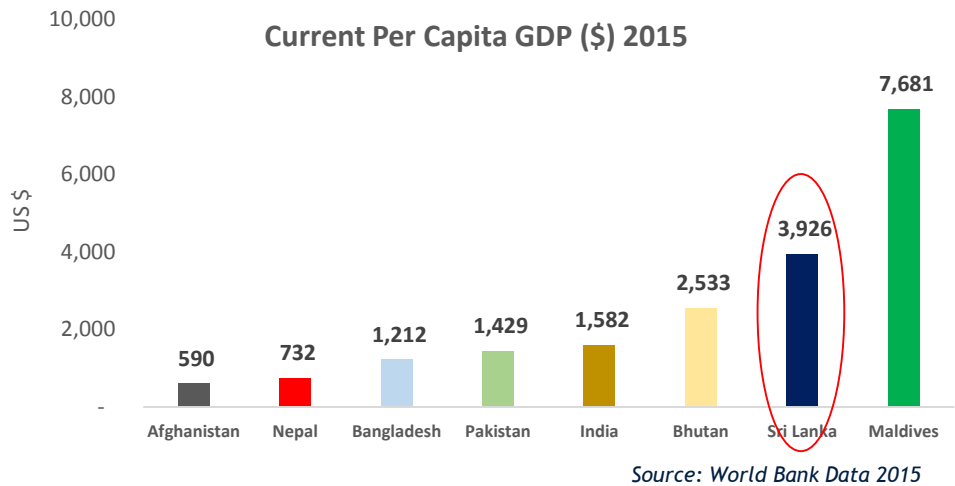
Kamal Dorabawila
Principal Investment Officer

August 2, 2016, Colombo, Sri Lanka

IFC: A MEMBER OF THE WORLD BANK GROUP

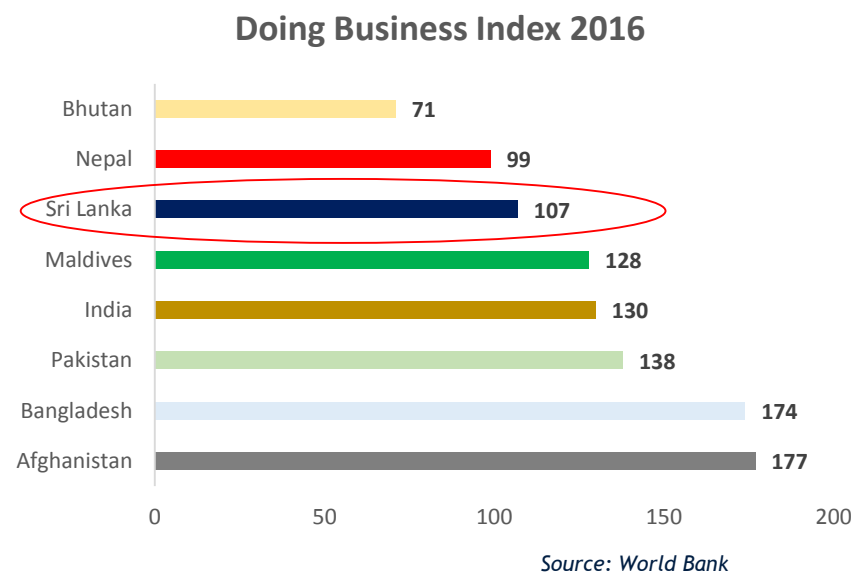


Sri Lanka is in many respects a development success story



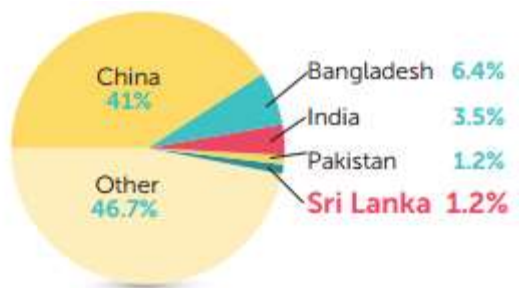
- ❑ 2nd highest GDP Per Capita in South Asia,
- ❑ 3x decline in poverty over the past 10 years,

- ❑ Outperforms neighbors on most Millennium Development Goals,
- ❑ Very low maternal and infant rate; life expectancy at 74 years, etc (above its regional peers for over a decade)

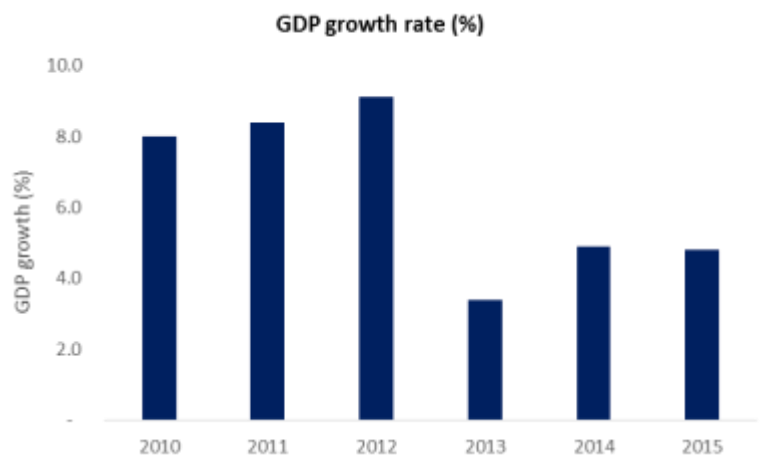


- ❑ 107th in Doing Business ranking, 3rd in South Asia region
- ❑ 3rd in apparel export value and global market share

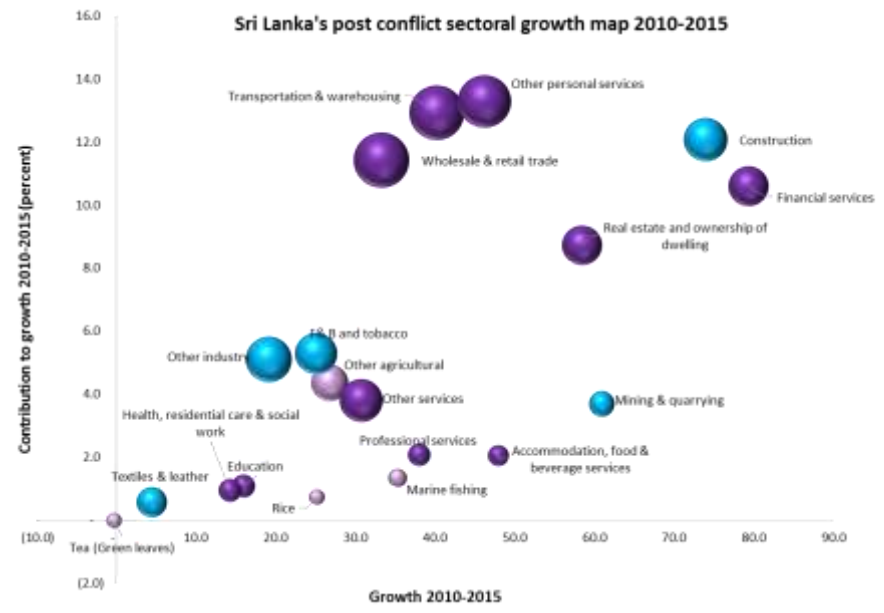
Apparel market share



However, important challenges lie ahead



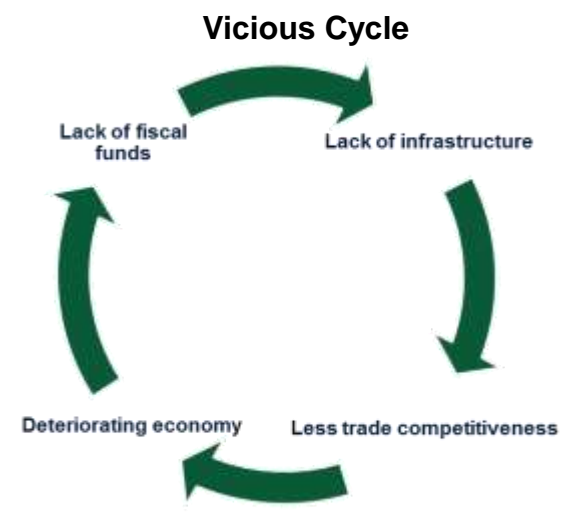
Source: Central Bank Annual Report



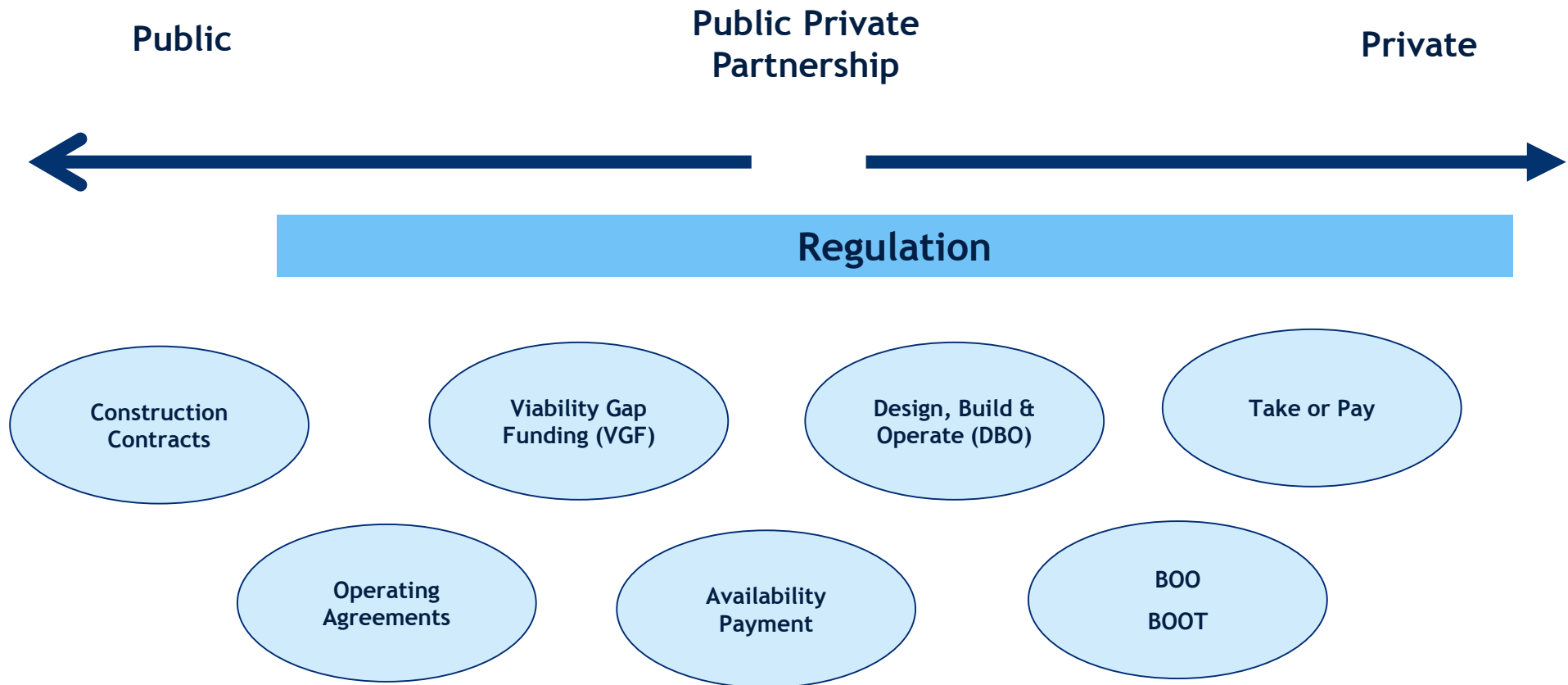
- Global Competitiveness Index:
 - Sri Lanka 68th position -
 - India (55th),
 - Vietnam (56th),
 - Philippines (47th)

FDI Inflow (\$ mn)	2011	2012	2013	2014	2015
Bangladesh	1,136	1,293	1,599	1,151	2,235
India	36,190	24,196	28,199	34,582	44,208
Thailand	3,271	16,517	16,652	3,537	10,845
Myanmar	1,118	497	584	946	2,824
Cambodia	1,372	1,835	1,872	1,720	1,701
Vietnam	7,519	8,368	8,900	9,200	11,800
Sri Lanka	956	941	933	894	681

⁴ Source: UNCTAD, World Investment Report 2016



What is Public Private Partnerships ?



Why Public Private Partnership (PPP) ?

Typical Reason:

- Lack of funding/Fiscal constraints

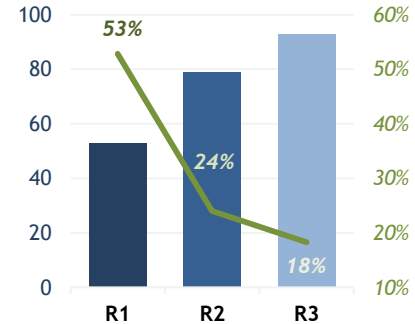
Better Reasons:

- Cost reduction
- Cost over run risk transfer to private sector
- Operating efficiency
- Innovation
- Private sector development
- Creating markets

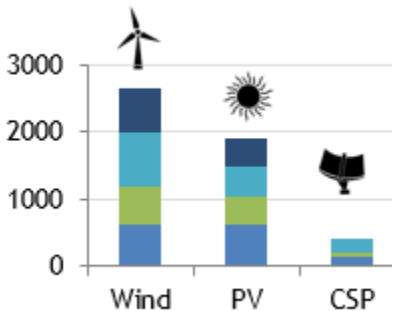
PPP Example: South Africa's Renewable Energy IPP (REIPP)



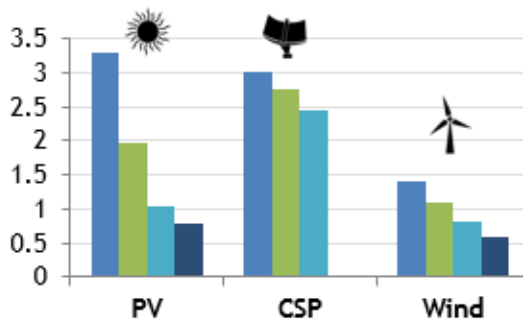
Received bids and success rate
(Number of bids)



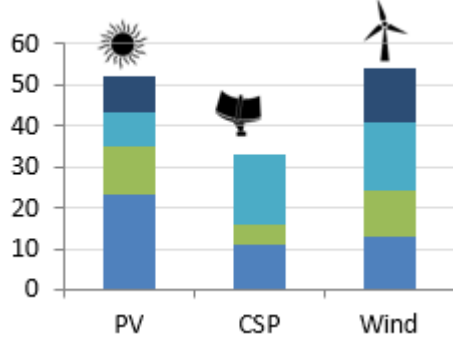
Capacity allocated
(MW)



Average bid tariff⁽¹⁾
(ZAR/kWh*)



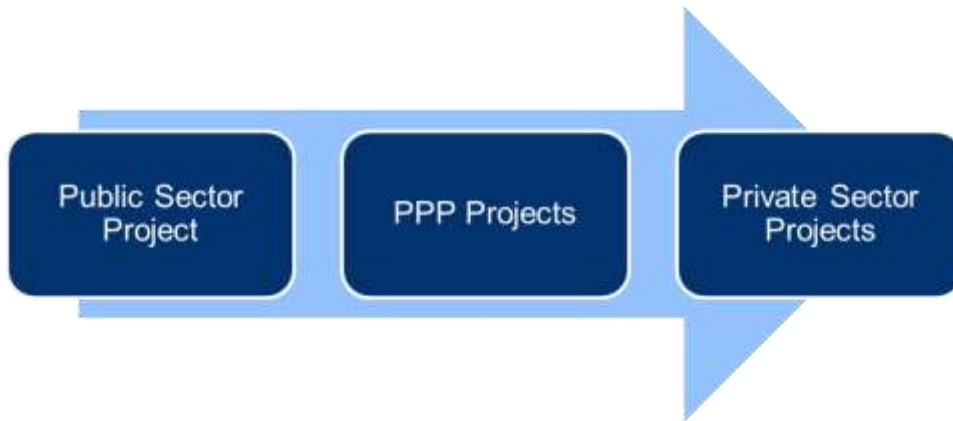
Total Project costs
(ZAR billions)



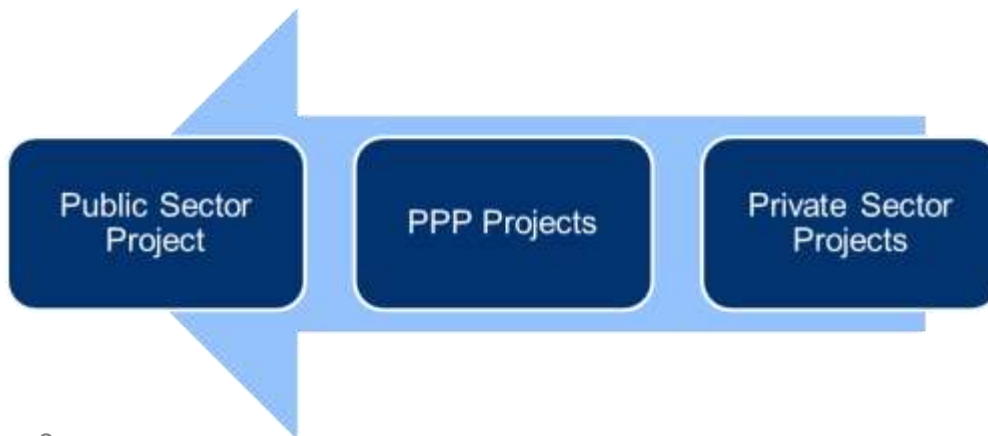
■ Round 1 ■ Round 2 ■ Round 3 ■ Round 4

Prioritizing Projects for PPP

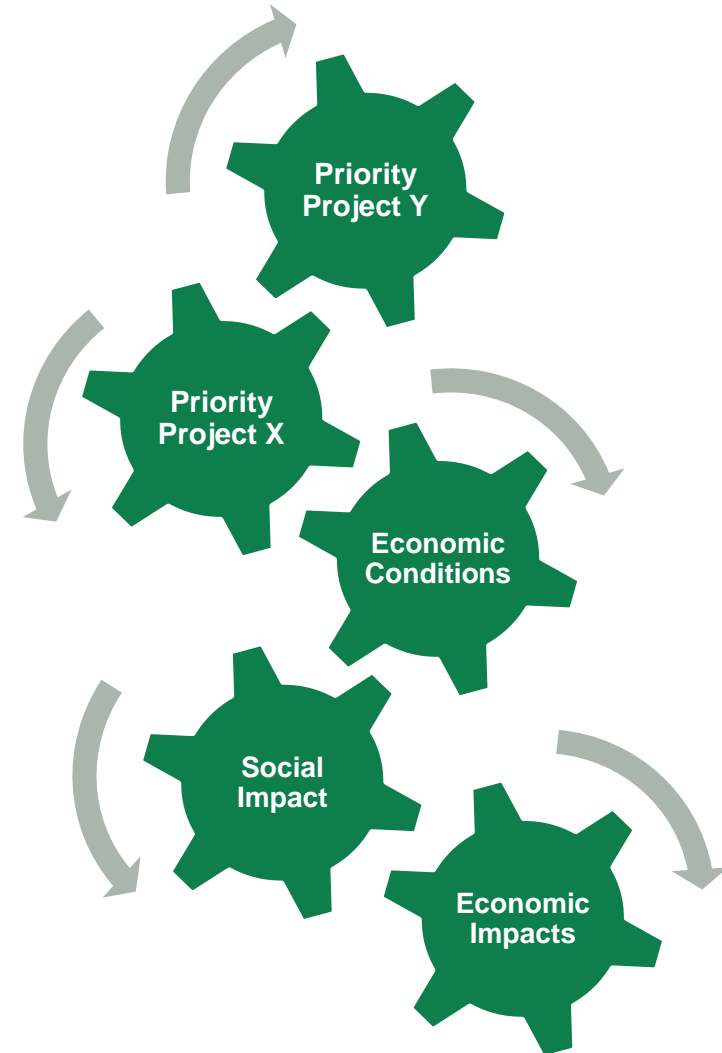
Typically



Ideally



Strategic Planning



Challenges in PPP

- ❑ Lack of Interest
 - Does the project make sense?

- ❑ Cost of Private Profits/ Equity Returns
 - Competitive bids and phasing
 - Transfer of cost-overflow risk
 - Regulation

- ❑ Additional Time/ Delays
 - Importance of well-prepared projects
 - Time incentives and penalties

- ❑ Resistance to Change
 - Lack of understanding
 - Vested interests

- ❑ Capacity Constraints
 - Structuring
 - Implementation Experience

Suggested Roadmap:

1. Strategic Planning - Select a Few High Priority Projects
2. Build PPP Capacity - Retain the Right Resources and Advisors
3. Close Support of Key Decision Makers
4. Regulation and Law, if needed

**Financing is NOT a Challenge
for well-structured projects!**

Thank You