

PPP Reforms in Sri Lanka

ICGFM Conference

December 2018

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Presentation Outline

1. Background of PPPs in Sri Lanka – What does the government want to achieve?
2. Background of USAID's Assistance to PPPs in Sri Lanka – The transition from Leadership in Public Financial Management (LPFM) II to Strengthening Democratic Governance and Accountability (SDGAP)
3. What are the keys to successful and sustainable PPP reforms in Sri Lanka?
4. Questions?

1. Background of PPPs in Sri Lanka - What does the government want to achieve?

According to the Government of Sri Lanka's Vision 2025, PPPs are a way to:

- § Strengthen the country's economic development;
- § Empower the private sector;
- § Reduce the reliance on public sector borrowing to build infrastructure and improve government services;
- § Improve services in the areas (sectors) of transport and energy and expand services into new areas including health care, leisure and tourism and education; and
- § Provide value for money in the provision of infrastructure.

Constraints to Implementing PPPs in Sri Lanka

Constraints faced by the Government of Sri Lanka in implementing PPPs in Sri Lanka include:

- § An over-reliance of unsolicited proposals:
- § Confusion about which agency is responsible for overseeing PPPs;
- § Limited basic procurement knowledge and institutional capacity which makes developing and implementing PPPs a challenge;
- § Poorly prepared TORs, budgets and technical documents like engineering designs;
- § Limited long-term debt and liquidity;
- § New Procurement Guidelines and PPP Guidelines held up by Parliament; and
- § Limited ability to manage contingent liabilities.

Summary of PPP Transactions by Sector

(Source: World Bank)

- § **Transport** – Integrated intermodal transport sector strategy; maintaining, upgrading, modernizing and ensuring connectivity between transport facilities and exports regions and products
- § **Energy** – Needs met through biomass, indigenous sources (hydro and renewables and imported fossil fuels (petroleum and coal)
- § **Housing and Construction** – Slum upgrading and prevention; steady growth since 2009 (end of conflict)

Summary of PPP Transactions by Sector (cont'd)

- § **Tourism** – Third largest export earner after remittances and textiles and garments; 2016 international visitor arrivals reached over two million and generated approximately \$3.5 billion
- § **Industries** – Developing industrial capacity in the areas of textiles, rice, agricultural products and apparel
- § **Health** – Demand for healthcare by ageing population and exposure to alcohol, tobacco and sedentary lifestyle; improving purchasing power coupled with actual and perceived gaps in quality and availability

The Social and Environmental Impacts of PPPs in Sri Lanka

(Source: Government of Sri Lanka and World Bank)

Positive Impacts

- § Increased private sector investment
- § Jobs
- § Improved infrastructure and government services
- § Modernization
- § Economic growth

The Social and Environmental Impacts of PPPs in Sri Lanka (cont'd)

(Source: Government of Sri Lanka and World Bank)

Negative Impacts

- § Traffic and vibration impacts
- § Waste (chemical, industrial, solid and effluent)
- § Environmental degradation
- § Physical and economic displacement
- § Increased crime and in-migration
- § Gender and exclusion

Why have previous efforts to implement PPPs in Sri Lanka been met with mixed results?

§ The first PPP in Sri Lanka (Queen Elizabeth Quay) was implemented in 1999 – it was successful because the Asian Development Bank and the International Finance Corporation provided most of the funding.

Attempts to implement PPPs since 1999 have had mixed success due to:

- § Lack of adequate PPP legal framework
- § Lack of clear roles and responsibilities and a single agency to help implement PPPs
- § Difficulty preparing TORs and tender documents and prioritizing projects
- § Tenders take too long leading investors to pressure the government to agree to unsolicited proposals

General Procurement and PPP Background in Sri Lanka

The Constitution:

“In performance of the functions vested in terms of Article 156C (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the National Procurement Commission published these guidelines for procurement of goods and services, works, consultancy services and information systems by government institutions and to provide for matters connected therewith and incidental thereto.”

General Procurement and PPP Background in Sri Lanka (cont'd)

Procurement Guidelines (2018):

- § Maximizing economy, timeliness and quality;
- § Optimum utilization of budget resources;
- § Adhering to prescribed standards, specifications, rules, regulations and good governance;
- § Transparency and accountability in Public Procurement;
- § Providing fair, equal and maximum opportunity for eligible interested parties to participate in procurement;
- § Expeditious execution of Works and delivery of Goods, completion of Information Systems & provision of Services;

General Procurement and PPP Background in Sri Lanka (cont'd)

Procurement Guidelines (2018):

- § Compliance with laws, regulations and international obligations;
- § Introducing e-Government Procurement (e-GP) for public-sector procurements;
- § Promote human wellbeing and support sustainable development by promoting environmental friendly procurement, while optimizing resource utilization and minimizing negative impacts on the environment;
- § Promote transparency by regularly publishing procurement data in accordance with the Open Contracting Data Standard (OCDS);
- § Enhancing stakeholders trust and confidence in the entire procurement process; and
- § Maintaining consistency in application of unique procedures across Procuring Entities.

General Procurement and PPP Background in Sri Lanka (cont'd)

Chapter 2 of the Procurement Guidelines – Governance of Procurement Actions

- § The National Procurement Commission (NPC) as established under the Chapter XIX B of the Constitution of Democratic Socialist Republic of Sri Lanka is the sole authority for the governance of all procurement activities by the Government Institutions of GOSL to whom these Guidelines apply.
- § Role of the NPC is to ensure formulation of procurement policy, Guidelines, practices, monitoring and investigation of Procurement Actions of Procuring Entities to guarantee implementation of such policies, Guidelines and best practices by Government Institutions, assessment of procurement capacity of Government Institutions, procurement capacity building and reporting to appropriate authorities on procurement performance of Procuring Entities and individuals.

General Procurement and PPP Background in Sri Lanka (cont'd)

Additional Provisions of the Procurement Act (2018)

- § Procurement planning
- § Procurement documents
- § Procurement processes
- § Bid proposal evaluations
- § Award of contracts
- § Procurement categories

General Procurement and PPP Background in Sri Lanka (cont'd)

Chapter 16 of the Procurement Guidelines – Public Private Partnerships

- § PPP is broadly defined as a long-term contract between a private investor and Government Entity for providing a public asset or service, in which the private investor bears significant risks and management responsibility.
- § The private investor may finance the cost of the project or the contract procured under PPP arrangement Build-Own-Operate (BOO), Build-Operate-Transfer (BOT) and Build-Own-Operate-Transfer (BOOT), Design-Build-Own-Operate-Transfer (DBOOT) concessions or similar type or private arrangement if the selection is consistent with the NPC core procurement principles.

General Procurement and PPP Background in Sri Lanka (cont'd)

PPP Guidelines (2018):

- § Establishes the National Agency for PPPs (NAPP) as the government agency responsible for helping ministries, departments and agencies – and the National Procurement Commission remains the supreme procurement authority in Sri Lanka;
- § Defines all stakeholder roles and responsibilities as they relate to all aspects of the PPP cycle
- § Explains how to implement Chapter 16 of the Procurement Guidelines including all processes, tenders and execution of PPPs; and
- § Explains Swiss Challenge procedures and how they may transform unsolicited proposals into a competitive procurement process.

2. Background of USAID's Assistance to PPPs in Sri Lanka

The transition from Leadership in Public Financial Management (LPFM) II to Strengthening Democratic Governance and Accountability (SDGAP)

A Summary of USAID-led PPP Reforms in Sri Lanka Since 2015

Short-term Assistance to Improve Public Financial Management (STAIR) provided technical assistance in the following areas from 2015 to 2018:

- § Procurement reforms including helping the government prepare the Procurement Guidelines (2018);
- § PPP reforms including helping the government prepare the PPP Guidelines; and
- § Training of Trainers to help the government become less reliant on international experts and sustain PPP reforms.

A Summary of USAID-led PPP Reforms in Sri Lanka Since 2015 (cont'd)

Strengthening Democratic Governance and Accountability (SDGAP) is currently providing technical experience since August 2018 in the following areas:

- § Operationalizing the Procurement Guidelines and PPP Guidelines (developing communication and strategy plans);
- § Helping the Ministry of Megapolis and Western Development and the Ministry of Industry and Commerce establish PPP units;
- § Helping the government better define the PPP roles of the National Procurement Commission and NAPPP;
- § Increasing the capacity of the government to prepare PPP tender documents; and
- § Reducing the number of unsolicited proposals.

A Summary of USAID-led PPP Reforms in Sri Lanka Since 2015 (cont'd)

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A Summary of USAID-led PPP Reforms in Sri Lanka Since 2015 (cont'd)

Strengthening Democratic Governance and Accountability (SDGAP) is conducting the following specific technical assistance activities:

- § Fundamentals of Procuring PPPs
- § Creating a PPP procurement checklist
- § Developing PPP bid documents
- § Preparing RFPs and TORs
- § Setting evaluation criteria and rules
- § Planning PPP procurement pipelines
- § Designing bankable PPP project criteria

What are the keys to successful and sustainable PPP reforms in Sri Lanka?

- **Enabling environment – laws, guidelines and processes;**
- **A National PPP unit that standardizes PPP implementation and technical advice;**
- **Clear lines of communication with the private sector that build their capacity to enter into PPP agreements;**
- **Developing standardized procurement processes that reduce transactional costs; and**
- **PPP strategy remains a part of a national procurement strategy.**

Questions?