Potential for Public-Private Partnership (PPP) in East Timor
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Introduction
1. This note has been prepared in the context of the International Investment Conference on “Investment and National Building in Timor Leste” that took place on 21-22 October, 2010 in Dili, Timor-Leste. One of the topics of the international conference was a discussion of the potential for Public-Private Partnership in East Timor. This note elaborates on the key messages of the presenters during the conference¹ and it is hoped that it will help guide the Government in moving forward with its PPP agenda.

Overview of PPP: Definition, Benefits and Risks

Definition
2. Although definitions vary, all are based on the common principle that PPP is a procurement (contractual) process to provide services or deliver assets through public and private sector cooperation for periods ranging from 5 to 30 years. Forms of PPP include inter alia, concessions, build-operate-transfer (BOT) and its variants, leases, and management contracts. The private sector involvement can range from design, construction, operation, maintenance and rehabilitation etc. Best practice PPP aims for an optimum balance of private sector risk and rewards: PPP recognizes that private sector might have (in a number of context the cost of public funds might be higher, particularly when funding ceilings are binding) a higher cost and the private sector needs a return on investment, but this is offset by private sector ability to reduce the overall costs of infrastructure services delivery through higher efficiency and better risk management, for example during construction, and reduced maintenance costs.

3. PPP has been used in a broad range of sectors. The traditional sectors where PPP projects started have been energy, telecom, or transportation. Municipal services such as waste management, water delivery and sanitation, have also been widely used. More countries are looking at PPP to deliver social services such as health and education, and housing, Government building and recreational facilities. Examples of PPP projects include:
- Rehabilitation or construction of a highway (with or without tolls)
- Performance (Output) based maintenance
- Electricity Generation, Transmission and Distribution
- Management and or operation of a water utility, seweage or a construction and maintenance of hospital, or school
- Modernization and expansion of an existing airport or port, or railroads
- Yet a second range of PPP are being developing in non-traditional sectors such as jails, administrative buildings, irrigation, sports facilities, lighting, security, special economic zones, solid waste

Benefits

¹ The note refers to several existing reports from the World Bank, including a recent review of experience in PPP in Europe and Central Asia (2010)
4. The main benefit of PPP is to accelerate the infrastructure agenda, provide possible short term release of fiscal pressures and more relevant offer better value-for-money to public authorities, which means cheaper/better services over the long term. A critical benefit of PPP comes as a result of the usual bundling of construction, maintenance and rehabilitation for the life of the project/concession, usually from 15 to 30 years. The problem with unfit maintenance of public work project has been key in leading to the deteriorating infrastructure stocks. The benefits of PPP can be quite significant (plenty of evidence through 20 years of experience): efficiency/productivity gains ranging from 10-20% to over 70%, improvements in quality of service sometimes over 60%, and coverage improvements. Experience has shown that reductions in prices/tariffs are difficult to achieve given the often poor initial state of assets requiring investment. PPP can bring much value if countries can avoid a number of mistakes commonly made.

5. The application of good practice in project identification, preparation, procurement and supervision often result in positive results. There are indeed risks and opportunities associated with PPP – but often opportunities outweigh risks when the potential impact is considered. It is imperative to be pragmatic to move forward and programs need to be tailored to country conditions.

6. PPP can contribute to significant reduction in costs and delays in construction. A review of construction projects by the UK National Audit Office has shown that on average PPP arrangements were responsible for only 22 percent of cost overruns for the public sector, as opposed to 73 percent under traditional procurement arrangements. However, this is possible only with an optimal risk allocation between the public and private sector. Some risks, such as construction, can be better managed by the private sector. Traditional procurement does not always transfer such risk to the private sector, which can lead to cost overruns or construction delays. The same applies to operations and maintenance; a well-designed PPP project can ensure that maintenance is done in an optimum way, which extends asset life, reduces overall management costs, and yields more value-for-money for government than traditional projects.

7. The private sector and investors usually recover their investment in PPP projects from user charges or through a variety of Government contributions. However, investors borrow to invest so they must repay debt and generate a reasonable profit for their equity participation. In practice, revenue sources are often limited to user charges and public sector contribution (financed by taxpayers), which can be made available whether or not the project is a PPP (tolls can be applied for example on publicly funded highways). When public authorities consider PPP to bridge the infrastructure financing gap, an important consideration is to compare the cost of the PPP option traditional procurement and public sector financing in the long-term.

8. Finally, PPP has been considered to increase the capacity of local industry and bring more innovation to a specific sector. In principle, by bringing in international construction companies, investors and advisors, Timor-Leste could benefit from their experience in PPP and adopt international best practices. For example, when applied to road construction and management, this could mean improving the technical quality not only of the road assets but also of the expertise of local staff, institutions and companies involved. However, PPP is not a guarantee for knowledge transfer. Knowledge transfer will come if international companies are willing to bid and have the incentive to build capacity in the local contracting industry. In fact,
the argument can be made that given the limited capacity of the sector and experience in PPP, an international company would find it less risky to use basic construction design methods with standards that are appropriate to the local conditions, and ensure that the work can be done without delays and overrun. In conclusion, PPP has the potential to improve the capacity of the local industry but Government should address the specific issues already facing traditionally procured projects.

**Risks associated with PPP**

9. **The main risks associated with PPP are fiscal.** Good practice in PPP program development recommends that public authorities implement only projects that are necessary and have high social rates of return, taking into consideration the long-term financial commitment associated with PPP. Although the public sector is usually asked to contribute to capital expenditure, some of its contribution is phased during the life of the concession. Because longer-term future payments (often 30 years) are typically unaccounted for in budget planning, the relatively small initial contribution may tempt public officials to implement an unaffordable project. However, the risk is that longer-term payments could restrict a country’s ability to finance other much-needed projects at a later stage.

10. **A PPP program can also constrain future spending through accumulated contingent liabilities.** Given that a concession is often for 30 years, an active PPP program over, for example, 5-10 years may restrict future public investment, because Government would have to service these contracts before considering other projects. The other issue is that government must often provide guarantees for PPP projects, and the more projects government undertakes, the more likely it becomes that at least some guarantees will be triggered, resulting in future payments to support the private partner. This may be problematic, especially in countries with limited fiscal space.

**Illustration of the impact of minimum revenue guarantees on Government payments**

![Diagram showing the impact of minimum revenue guarantees on Government payments.](image-url)
11. **PPP, in principle, cannot be considered as an additional source of revenue as the private sector is ultimately paid from the same sources. But it is often considered as such for fiscally constrained countries and where the alternative is no project at all.** Moreover, PPP do allow for the acceleration of the infrastructure program and, at least in the short term, release of fiscal constraints. The main reason is that the sources of funding remain the same: users and tax payers. As shown in the figure below, the private sector will still need to recover its investment and make a profit (but through the life of the project), and expects to be funded through the same sources: tolls, fuel taxes or government contribution (general taxes)

![Financing Sources for Highway financed from public funds or PPP](image)

**Good Practice in Development of PPPs**

12. **Options to move forward the PPP programs in terms of decreasing involvement of and risk exposure to public sector.** The ultimate goal is to secure and advance a proper level of infrastructure service provision. And PPP is just a very valid option, but obviously not the only one. And even within PPP there are a variety of modalities that can be used depending on the context, project and circumstances. Thus it is essential that the Government consider properly its different options to advance the infrastructure agenda, and choose carefully the appropriate modality. Here are the most common type of options listed in terms of decreasing government involvement and risk exposure.

- I. Build and operate project by public sector
- II. Full decoupling: Finance and build project as a public work with the intention of, once built, bring the private sector through: i) a management contract; or ii) a lease contract; or iii) as PPP brown-field
- III. Use of pay as you build scheme to reduce PPP financing requirements, CRPAOS certificates to be issued by government as construction (and investment) moves forward (i.e, trigger 10% of project costs, 20% and so on)
IV. A PPP but with a reduction of commercial risk for private operator-through availability payments

V. Direct lending often through state owned development banks.

VI. Facilitating funding and credit enhancement through infrastructure investment or/and guarantee funds

VII. Traditional PPP support, widely relying on the private sector

To address the risk of government complying with financial payments over the life of the PPP (5 to 20 years) the Government might consider offering guarantees (through multilaterals) or creation of a dedicated viability gap fund to cover those payments, or an infrastructure fund.

13. The identification and selection of PPP projects should be based on economic and social impacts, not only on financial profitability. A common argument in favor of PPP is that it prevents so-called “white elephant” projects because the private sector will not bid on a PPP project that is not viable. However, the reality is that potential bidders focus on financial viability, not the overall economic impact on society, which is where government selection of PPP projects should begin—on infrastructure built and services delivered. Governments should avoid PPP projects that are financially attractive but lack sufficient overall public benefit, therefore government engagement must first be justified, then a suitable financing option can be identified, which could be PPP.

**Decision Matrix for PPP Projects**

<table>
<thead>
<tr>
<th>Economic Rate of Return</th>
<th>LOW</th>
<th>HIGH</th>
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<tbody>
<tr>
<td>No need for Public Sector Involvement</td>
<td></td>
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<tr>
<td>PPP with no or limited Government financial support</td>
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**Typology of Government Support**

- Often the nature of the project, associated risk, difficulties in cost recovery of investments form users and failures of financial markets do require some forms of government support to make the project viable. The typology of government support is along the following lines:
  - Financial (upfront payment, availability payment, grants, soft loans etc…)

Source: Cuttaree and Mandri-Perrott (2010)
Non-Financial
Other

Understanding the linkages across financial and non-financial support, and external effects (to be captured) is critical as it:

- Reduces the extent and need for government support
- Improves project bankability, and the chances of financial closure
- Increases the chances of success

Examples of Financial Interventions

- a) Government payments to complement project revenues (say from user fees and other sources) to make the project financially viable. They can be of the following type:
  - Grants: usually paid around the start of project
  - Payments: annuity/availability payments, shadow toll payments, through the life of the concession/PPP
  - From annual budget or from a viability fund
  - But timing and structure of these payments matters. The incentives effects of different payment schedules need to be accounted for

- b) Investment/loan Funding:
  - Direct lending or through state development bank
  - Indirect through investment fund
  - Those sources can be open or targeted or linked
  - Investment Fund/Facilities

- c) Typology of Infrastructure Investment Funds/Facilities
  - Public (Government) funded and managed (Indonesia, Peru, Thailand)
  - Private funding and private managed (e.g. pension funds-Peru)
  - Public and Private funding, managed by private party (Peru, Colombia, Mexico, Regional)
    - Country focus
    - Regional or sub-regional focus

14. **Countries with more successful experience in PPP have established eligibility criteria.** Concerns about long-term fiscal impacts of PPP projects prompted governments, such as South Africa (see box below) to establish rules to ensure that projects demonstrate (i) value-for-money; (ii) optimum risk transfer to the private sector; and (iii) affordability for government. The remaining key risk is that countries could not afford basic services or undertake future investments if payment levels become unsustainable. Brazil, for example, has established limits on future payments for PPP projects to protect future investments.
South Africa – Assessing PPP Transactions

South Africa’s Treasury Unit contains a dedicated group to oversee PPP transactions nationwide. Before approving new projects, this unit will verify the following:

- **Affordability.** Public institutions must be able to meet their financial obligations under the PPP agreement throughout project lifespan. Current and anticipated budgets must be able to support any PPP-related expenses, including the costs of public oversight.
- **Value for money.** Private sector participation must offer additional value to the public sector through risk transfer, increased quality, or both. Without value-for-money, traditional public procurement is preferred to realize new infrastructure services.
- **Substantial risk transfer.** Private partners must assume meaningful risks in a proposed PPP arrangement. Value-for-money results when private partners can manage project risks better than their public counterparts.

The Treasury Unit uses a series of reviews and approvals throughout the project development process. Sometimes funds from a special project development facility can offer additional resources to local and regional project planners to meet Treasury Unit standards for PPPs.

**Source:** South Africa’s PPP unit, ([www.ppp.gov.za](http://www.ppp.gov.za))

- Quantify costs and risks of contingent liabilities;
- PPP approval should occur at the level of the cabinet, or Minister of Finance, or a government body with an interest in future spending. The Ministry of Finance should review proposed PPPs;
- Governments should bear only those risks that they can manage through control or influence;
- Adopt modern accrual-accounting standards for financial reporting to reduce temptation to use PPPs to hide fiscal obligations;
- Publicly disclose PPP contracts, and cost/risk information on financial obligations imposed on government;
- Modify budgetary systems to capture the costs of contingent liabilities;
- Use a guarantee fund so the cost of guarantees is recognized when they are granted, and to help with payments if guarantees are triggered; and
- Government should charge fees for guarantees (may not be possible at the early stages of a PPP program), which indeed are passed through to the users by the operator.

16. **A country’s solid legal, public policy and regulatory frameworks provides clarity to the private sector, increasing the attractiveness of a PPP project.** It also allows the public sector to clearly define responsibilities, and manage the risks associated with PPP. Standardization of guidelines, process-related tools, model contract clauses, template contracts, approvals and monitoring rules can reduce both the complexity of PPP arrangements and project costs. Oversight procedures have more of an advisory role, leaving room for flexibility and innovation in designing the PPP arrangement. Several countries, including UK, Chile, Brazil and South Africa, have developed comprehensive and transparent concession laws, public sector goals and objectives in private participation. Equally clear is the process and terms by which the private sector is to be involved in the partnership.
17. **Clear policies regulating PPPs and the role of the private sector are needed, including at the sectoral level.** Policies should specify PPP responsibilities at national and regional levels, sector reforms, and the role of the private sector. Some projects are unlikely to attract significant private financing unless accompanied by sectoral reform, and a sectoral approach clarifies the policy environment for the private sector, which lowers their perceptions of risk. In 1997, the UK passed the Local Government Contracts Act to clarify local government procedures for undertaking PPP contracts and related arrangements. In 2002, Ireland passed the State Authorities Act, which defined the possible range of PPPs that State Authorities could undertake.

18. **Competition is heavy for attracting private participation.** International investors tend to believe that a country or region with limited PPP experience poses higher risks. This perception requires the highest international standards of project preparation, which makes the use of international experts essential to PPP project success. In fact, even countries with established PPP programs continue to rely on international experts, but their increased institutional capacity enables them to undertake more of the tasks previously done by consultants.

19. **Small economies face additional challenges but also managed to attract private participation.** Small island economies have by definition a smaller domestic market, which may reduce the revenue potential of a given project. The number of viable PPP projects may be more limited, and this can be seen as an additional constraint for a country with limited experience in PPP as the private sector will look at the potential for having more than one transaction before engaging in a new country. There is also typically limited implementation capacity in the local industry, which has an impact on the cost of engaging in a country. At the same time, small island economies tend to be more agile in implementing reforms and those exporting manufacturing goods or resources may be seen as more attractive to the private sector. Several of them managed to attract private participation in many sectors, including electricity generation, ports, telecom etc…

**Implication for PPP in East Timor**

20. **Timor-Leste has the potential to attract private participation in infrastructure but projects should be carefully identified and prepared.** Experience of other countries demonstrates that although it is often more challenging for them, some small island economies have managed to implement PPP projects. However, given the limited experience of Timor-Leste in PPP, it is recommended to carefully identify the projects that will be implemented as PPP and ensure that they are high priority for the economy. Moreover, there is a wide range of PPP options that can be used and some are more complex than others. Timor-Leste will be more likely to succeed by focusing on simple PPP structures (including management contracts and leases) and seeking a limited amount of private financing for its initial projects.

21. **Timor-Leste may have to pay a premium for the first PPP projects but it is important not to delay decisions related to PPP and sustain government commitment.** There may be a high perception of country risk which would result in a risk premium charged by the private sector. However, this risk will reduce when the country will have demonstrated its
capacity to prepare successfully a few PPP projects and not to interfere with existing ones. Delaying investments may prove costly for the economy so incurring additional initial costs may be justified to attract private investment, improve efficiency and quality of infrastructure services and establish Timor-Leste in the market for PPP. A few successes in PPP will reduce the perceived risk of investing in infrastructure in Timor-Leste, which would likely result in a reduced risk premium over time. Every country that is considered now successful made mistakes but they also committed to preparing good projects and improving the overall framework for PPP over time.

22. **There are certainly many constraints to the development of PPP in Timor-Leste but not all issues have to be resolved before preparing projects.** Waiting to have the perfect legal, regulatory and institutional framework takes years when in reality it is more an iterative process, building on the country specificities and learning from experience. Projects can be prepared in parallel to improving the overall PPP framework, although some changes in sector policies or laws may be required to enable a specific project to happen. The private sector may be willing to engage in a new country if there is strong Government commitment and if concrete actions are taken to address the most important issues. Some risk mitigation solutions may be possible at the project level (regulation by contract, partial risk guarantees, etc…) in the absence of a solid PPP framework.

23. **However, PPP requires significant financial and human resources.** PPP projects are more complex than traditional procurement and international bidders (more likely to bring investment, efficiency and knowledge transfer) expect to see a well prepared project. The cost of preparing a bid can represent 1-2% of the total project cost and a firm will invest if it believes there has been serious preparation. Even in countries with solid institutional capacity in the public sector, consultants experienced in PPP are used to assess the viability of a given project and structure in terms of: incentives for the private sector; value for money for the Government; and affordability for the Government and users. In the case of Timor-Leste, it means having a solid team responsible for preparing the project, managing the consultants, and addressing the issues likely to arise. Experienced international consultants in PPP are expensive but will save time and money to Government.

24. **The first step for Timor will likely be to review the high priority projects and prepare a policy statement endorsed by Government.** Not all projects are viable as PPP and they are likely to require support from Government (financial or guarantees). The Government of Timor-Leste should make a clear decision in relation to unsolicited proposals (consider them, not allow them, or turn them into competitive bidding) and review the high priority projects to identify a few potential PPP projects. There are several other important policy decisions to be made but doing this early will provide clarity to the private sector. These decisions can be grouped into a policy statement endorsed by Government and that can be used while the Government addresses the specific issues related to laws, regulations and institutional arrangement. A policy statement can be developed in a couple of months and will benefit the whole PPP program.

25. **The urgency or importance of a specific project should not compromise transparency, clarity and competition.** Timor-Leste is likely to be considered an untested candidate for PPP even if the investment needs are important. Timor-Leste will also compete
with many other countries to attract international firms with established expertise. These companies will be asked to invest and establish a presence in a new market and will view absence of clarity and transparency as an additional cost of engagement. Competition is important, as it brings down the cost for Government and users, and may contribute to more innovation and knowledge transfer from the private sector.

26. **While projects are identified and developed, Government should maintain its effort on improving the PPP framework and increasing awareness and capacity in PPP.** A clear process should be developed for identification, preparation and procurement of PPP projects, with appropriate checks and balances (as shown in Annex 1). Building capacity in PPP within the public sector is important but takes time and continuous effort. At the same time, the industry capacity should be addressed as a bottleneck to more risk transfer to the private sector. Specific institutional arrangements, such as a dedicated team for PPP supported by experienced consultants, can help address the immediate capacity constraints within Government. The public should understand the benefit of PPP and awareness should be developed early in the process to ensure the broad support of all stakeholders. Finally, PPP will often require the domestic private sector to change the way it works so capacity building effort should also target local firms.

27. **Caution is appropriate to handle unsolicited proposals.** Timor-Leste is receiving a number of these and it is imperative that before moving forward on them a transparent process is adopted with some elements of competition. Any unsolicited proposal should be approved first by the relevant Line Ministry, who will have to defend it and justify as an important element of its sector strategy and planning. Ideally there should be an inter-ministerial Council that approves any positive recommendations of the Line Ministry before its moves forward. Then there should be a reasonable time (3-5 months) allotted for potential third parties to submit competing bids. And finally the allocation should be by competitive auction. If the process is transparent and competitive and the right filters are in place unsolicited proposal can contribute to the lack of capacity (and sometime resources) of line Ministries for preparing bankable projects and advancing the infrastructure agenda.

28. **As a conclusion, there are opportunities and challenges in relation to PPP in Timor-Leste.** PPP has the potential to bring value to Timor-Leste, not just in terms of investment but also by improving efficiency and improving the capacity of the local industry. However, it is more complex than traditional procurement and comes with risks (including fiscal) that will have to be managed and mitigated. PPP projects take longer to prepare than traditional ones and significant human and financial resources must be dedicated to the projects. Although many projects may appear attractive to the private sector, it is important that the underlying investment is fully justified based on economic and social benefits and that good practice of transparency and procurement are applied. There may be a risk premium that the country will have to pay initially but it will decrease over time and has to be compared to the cost of doing nothing and the benefits of private participation. Finally, it may be possible to start the identification and preparation of projects before having a full PPP framework but having a policy statement endorsed by Government will provide much clarity to all stakeholders.

**SUMMARY OF LESSONS FROM INTERNATIONAL EXPERIENCE**
**a) Focus and Decision Making**
- Clear commitment at the highest level to infrastructure program
- Creation of a special Delivery Unit to lead the effort and with problem solving capacity, reporting periodically (monthly) to the Prime Minister
- Focus on improvement and efficiency of sector service provision
- Time for reflexion and analysis but then speedy progress
- Criteria for selecting projects, such as value for money and mode of implementation—such as: PPP, Public Works, hybrids, Public plus IPO, etc
- Thematic focus of PPP—traditional infrastructure and others

**b) Processes and Contracts**
- Careful planning of PPP project, and contract design
- Standardization of contracts, key contractual clauses, and procedures—a clear path
- For performance evaluation and remuneration use level of service indicators, rather than physical or financing indicators
- Clear jurisdictions (in moving project from identification to award/transaction to oversight), proper filters and problem-solving attributions
- Solid feasibility study and revenue and costs estimates

**c) Government–Private Sector interaction**
- Financial support and credibility of its delivery
- Assessment of user willingness to pay and cost recovery modality
- Account for social assistance when appropriate-social tariffs and acces to service subsidies, properly accounted for
- Parallel development of pilot project (ruled by contract) and PPP framework
- Competitive and transparent procurement, two stages and final award single variable based
- Compliance with contractual agreements
- Watch out for conflicts: Conflict Resolution Mechanism—binding arbitration

**d) Framework and Complementarity**
- Legal and Regulatory Framework
- Oversight of contract/projects. Ex-post award issues
- Mitigation and flexibility in managing macro-risk
- Evolving framework, with role of State decreasing in terms of financing and risk bearing
- Work along with private sector converging to manageable compromises
- Communication strategy, critical to secure support for PPP program
- Unsolicited proposals—a question mark? Only with effective competition and transparency and reasonable response timing (by other interested parties)
- Capacity, capacity and capacity: start by implementing a minimal Core Unit to lead and move the process (buy it while it develops in house)
- But it’s important to move and not let the challenges ahead contribute to slow progress on the various issues
Annex 1: Examples of Approval process for PPP projects

State of Victoria (Australia)

Key tasks:
- Identify service needs vs. govt priorities
- Focus on outputs
- Consider broad needs, over time
- Allow scope for innovation

Below are the points at which a submission to Cabinet (or a Cabinet committee) is required.

Option appraisal

Key tasks:
- Consider options
- Consider application of Prima Facie: Victoria
- Evaluate financial and other impacts, risks and benefits (tacit, bottom line)

Funding approval

Key tasks:
- Confirm the project offers net benefit
- Quantity risks and costs
- Begin developing an FDC
- Conduct cost-benefit analysis
- Assess Prima Facie: Victoria potential
- Obtain funding and project approval

Business case

Key tasks:
- Assess resources - steering committee, project director, priority agencies, procurement team, contract management personnel
- Develop a project plan
- Further develop the FDC
- Develop commercial principles
- Consultation

Project development

Key tasks:
- Develop expression of interest invitation (EOI)
- Seek approval to issue the EOI
- Evaluate responses and develop a shortlist
- Develop a project brief
- Incorporate contract management requirements
- Seek approval to issue the project brief
- Conduct clarification sessions
- Evaluate bids

Binding process

Key tasks:
- Confirm achievement of the policy intent
- Commence for money
- Report to the Minister
- Advice the Treasurer of intent

Project finalisation review

Final negotiation

Key tasks:
- Establish the negotiating team
- Set the negotiation framework
- Property review
- Report to Minister and Treasurer
- Execute contract
- Financial close

Contract management plan

Key tasks:
- Finance and implement contract management strategy/plan
- Finance Contract Administration Manual
- Implement performance reporting

Transition

Key tasks:
- Finalise management responsibilities
- Monitor project delivery
- Manage variations
- Monitor the service outputs
- Maintain the integrity of the contract

Contract management
### PPP PROJECT CYCLE

Reflecting Treasury Regulation 16 to the Public Finance Management Act, 1999

**INCEPTION**
- Register project with the relevant treasury
- Appoint project officer
- Appoint transaction advisor

**FEASIBILITY STUDY**
Prepare a feasibility study comprising:
- Needs analysis
- Options analysis
- Project due diligence
- Value assessment
- Economic valuation
- Procurement plan

**PROCUREMENT**
- Design a fair, equitable, transparent, competitive, cost-effective procurement process
- Prepare bid documents, including draft PPP agreement

  **Treasury Approval: IIA**
  - Pre-qualify parties
  - Issue request for proposals with draft PPP agreement
  - Receive bids
  - Compare bids with feasibility study and each other
  - Select preferred bidder
  - Prepare value-for-money report

  **Treasury Approval: IIB**

- Negotiate with preferred bidder
- Finalise PPP agreement management plan

**PPP agreement signed**

**PROJECT TERM**

**DEVELOPMENT**
- Measure outputs, monitor and regulate performance, liaise effectively, settle disputes
- Report progress in the Annual Report
- Scrutiny by the Auditor-General

**DELIVERY**

**EXIT**

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South Africa