

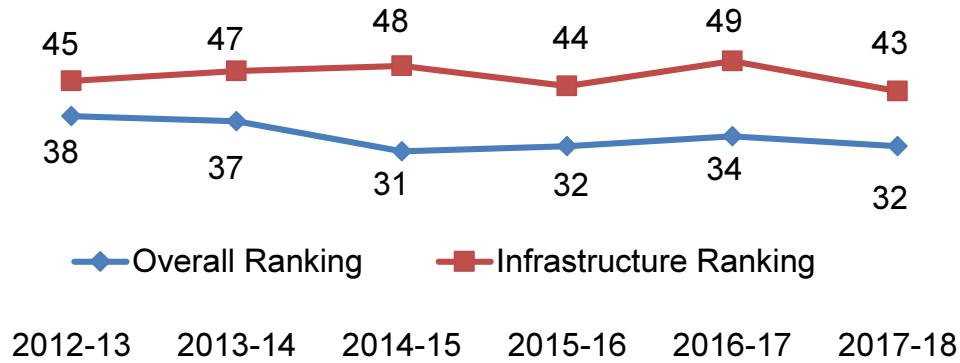


Public Private Partnership (PPP) in Thailand

Ministry of Finance
State Enterprise Policy Office (SEPO)

Needs of Infrastructure in Thailand

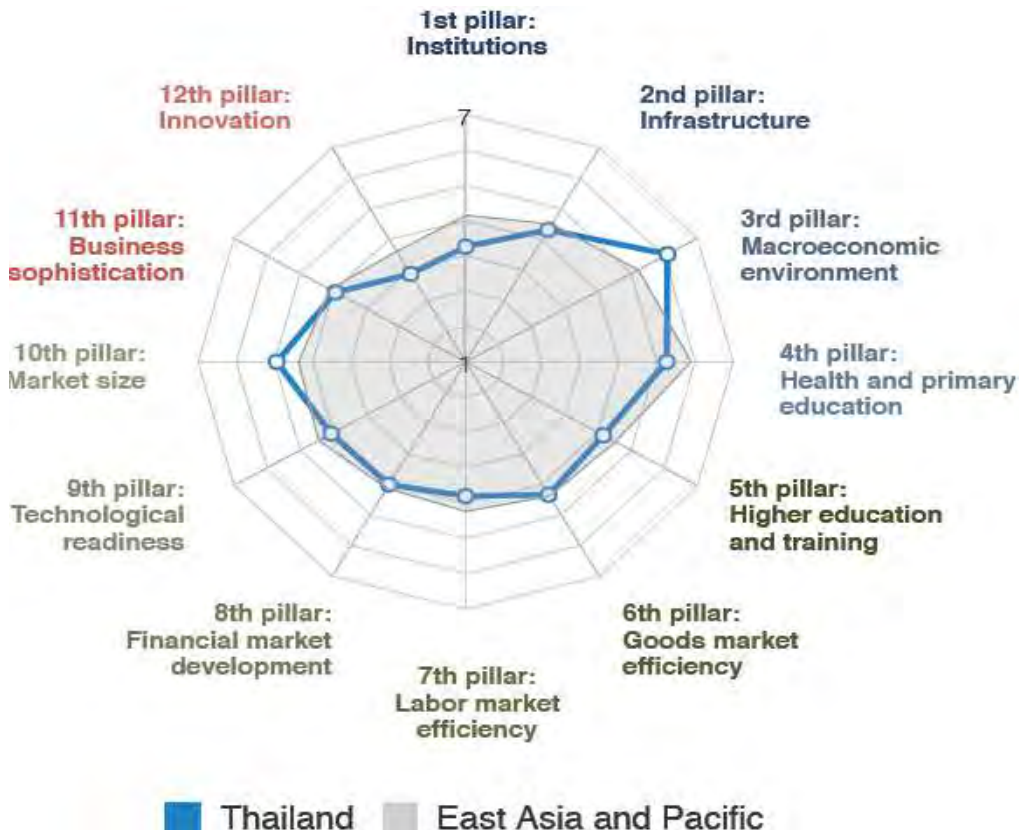
Thailand Competitiveness Rank (among 137 countries)



Comparison of Infrastructure Quality Ranking

Index	THA	SIN	HKG	KOR	TWN	MAS
Overall Ranking	32	3	6	26	15	23
Infrastructure Quality	43	2	3	14	19	21
Road Quality	59	2	4	12	11	23
Railroad Quality	72	4	3	7	12	14
Port Quality	63	2	2	23	24	20
Air Transport Quality	39	1	2	13	43	21

Source: The Global Competitiveness Report 2017-2018, World Economic Forum

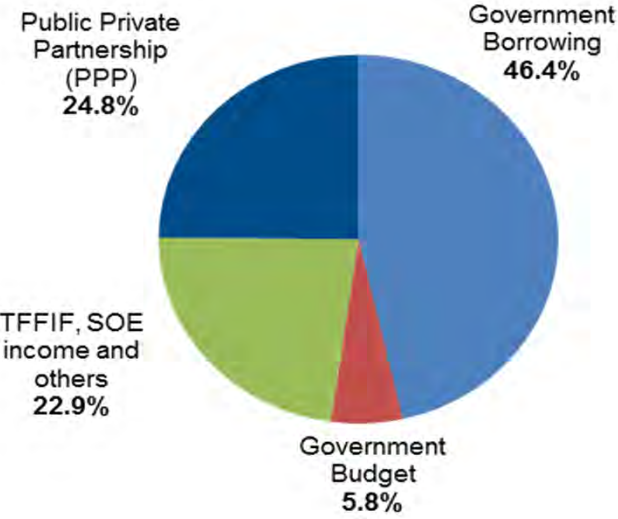


Infrastructure Financing in Thailand

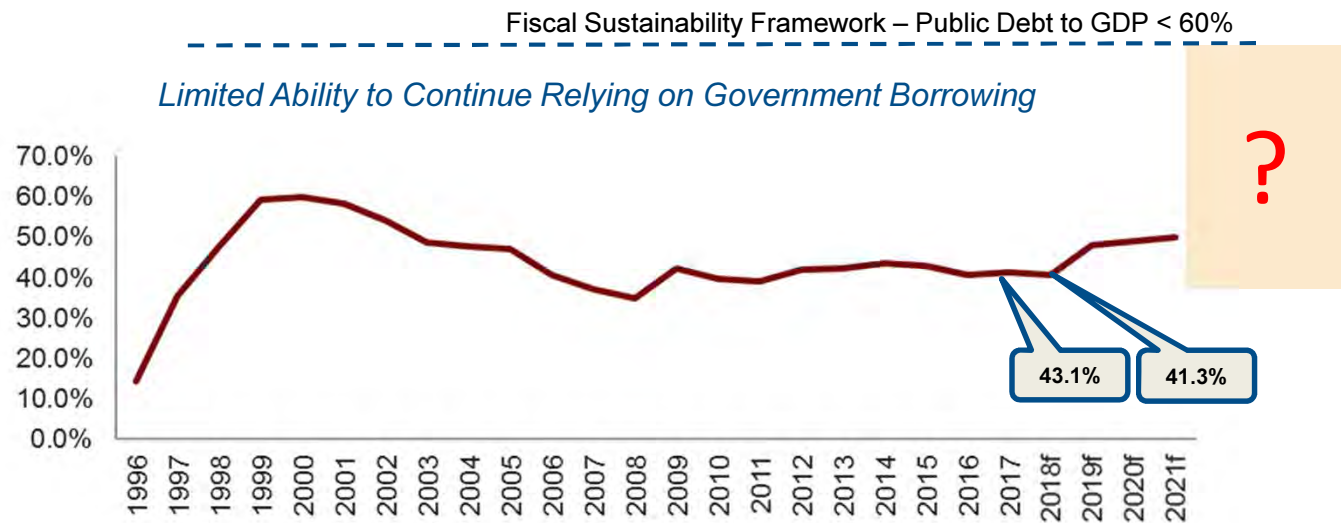
Sources	Limitations
Government Budget	Government's annual regular expenses increase every year, as the result, the annual budget allocated to capital expenditure is limited to 20% of annual budget or THB 500,000 Million annually.
State Enterprises' Retained Income	State enterprises' annual cash inflow is not sufficient to meet its rapid demand of infrastructure investment, thus, it requires time to collect cash for its capital expenditure.
Borrowing or Government and SOE Bonds	The public debt level should not exceed the fiscal sustainability level at 60% of GDP to ensure stability and credibility of the country. Currently, the debt raising ability before reaching the fiscal sustainability level is approximately 18% of GDP or THB 2.6 Trillion.
State Enterprises' Public Offering in Stock Exchange of Thailand	State enterprises require a mature industry structure in order to ensure that state powers are remained with fully owned government agencies. In addition, the state enterprises' share offering in the SET needs high level of public understanding and consensus.
Public Private Partnership (PPP)	Currently, PPP is a preferred alternative source for infrastructure investment, however, using PPP may be restricted in certain subsectors that the government allows private sectors to participate via a PPP contract.
Infrastructure Fund (IFF)	An infrastructure fund is a new source of fund for infrastructure investment by securitizing cash flows of one project, which can be either brownfield or greenfield project, and using the proceed from the fund raising to finance new infrastructure projects. Despite the fact that IFF is not accounted as national debt, the IFF is regarded as a financing source with higher cost of capital and more complexity compared to the traditional state's financing.

Alternatives to Finance Thailand's Important Infrastructure Projects

The Transportation Action Plan 2018⁽¹⁾ consists of 44 projects with a total investment budget of THB 2,021.3 billion, of which THB 239.8 billion are allocated for the construction of toll roads



Public Debt to GDP – Medium Term



Source: The Transportation Action Plan 2018
 (http://www.otp.go.th/uploads/tiny_uploads/PolicyPlan/1-PolicyPlan/2561/ActionPlan2561/25610109-ActionPlan2561-2.pdf)

Source: Public Debt Management Office

PPP advantages

Transfer of risks to the private party

Transfer of new technologies from the private party

More transparency in the economy

Save the government budget for conducting other public investments

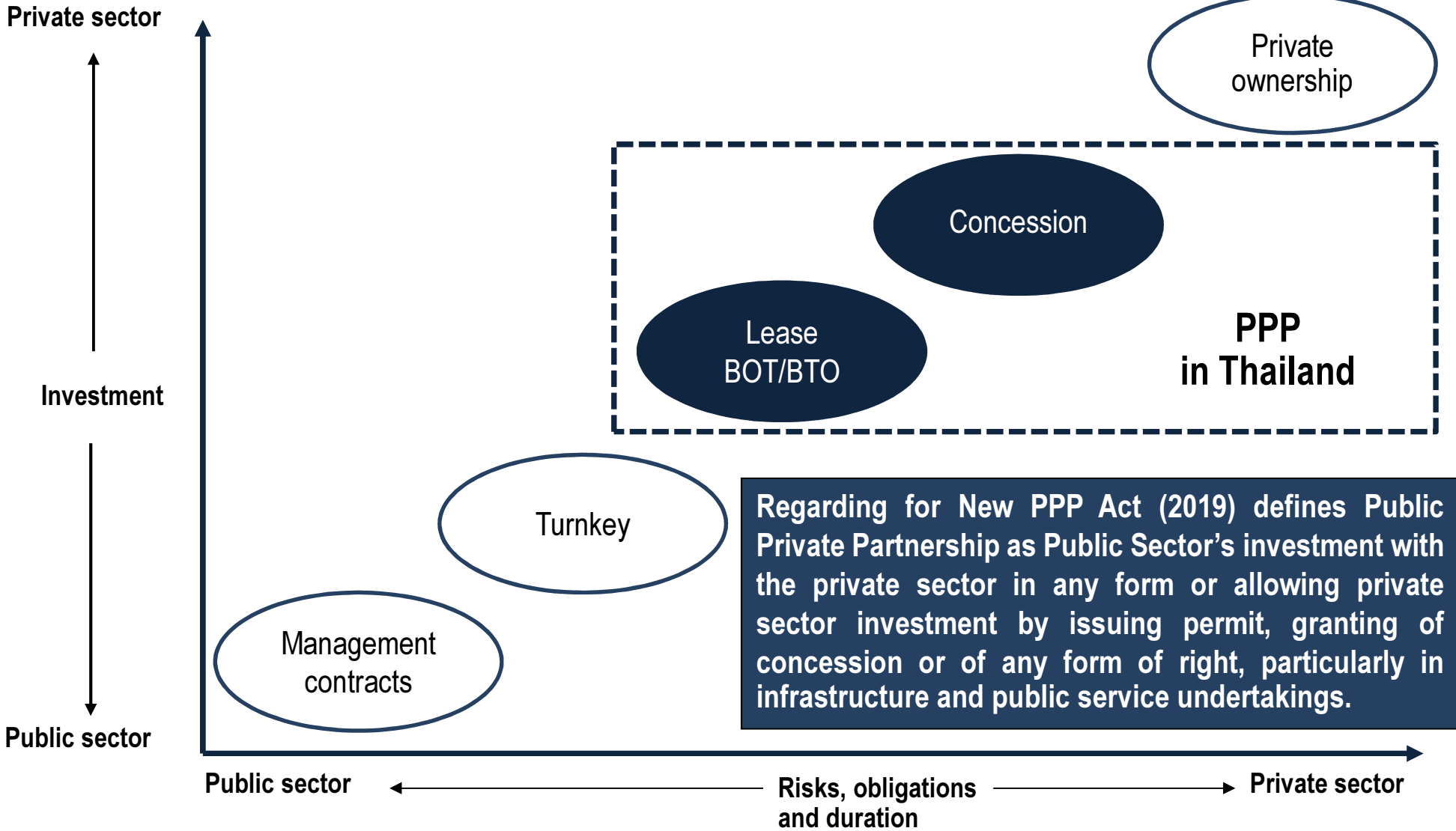
Note: ¹ Pending approval from The Office of the National Economic and Social Development Board
 (http://www.otp.go.th/uploads/tiny_uploads/PolicyPlan/1-PolicyPlan/2561/ActionPlan2561/25610109-ActionPlan2561-2.pdf)

Definitions of PPP Worldwide

	World Bank	Australia	United Kingdom	Canada	India
What's PPP?	<p>“The partnership between the state and private entity means the agreement...which is service under the responsibility of the state provided by the private entity by make the explicit agreement to deliver the public services and infrastructure of the state”</p>	<p>“Process of reliable infrastructure procurement...to deliver the infrastructure and public services to public”</p> <p>PPP goal is to deliver the better service and financial value... by making risk transfer”</p>	<p>“...deliver public services or infrastructure of the state”</p> <p>"... ..identity of these project is the collaboration and risk sharing between the state and private entity.”</p>	<p>“...infrastructure of the state for which the private entity is mostly responsible”</p> <p>“...properly share the resource, risk and award”</p>	<p>“...increase the service availability of infrastructure of the state”</p> <p>“...more effective than conventional implementation of the state”</p>
What's not PPP?	<p>“...not include service contracts, turnkey construction contracts...or privatization”</p>	<p>“... The policy does not include general service procurement which is not related to the delivery of infrastructure of the state”</p>	<p>“Agreements between the state and the private entity to work or provide specialized services.</p> <p>...which the state is responsible for most risk related to ownership, performance and integration of service”</p>	N/A	N/A

Source – การวิเคราะห์ของ BCG World Bank Analysis and PPP Guideline of Thailand, United Kingdom, Australia, Canada and India

Public Private Partnership in Thailand



History & Legal Framework of PPP in Thailand

1992

PPSU Act 1992

Private Participation in State Undertaking Act 1992 (PPSU Act)

Key Principles: Public Interest Protection & Anti-corruption

2013

PISU Act 2013

Private Investment in State Undertaking Act 2013 (PISU Act)

Additional Key Principles: Promote the PPP Investment

Standardization

- PPP Strategic Plan
- PPP Committees (Chaired by PM) and PPP unit
- Standard Contracts
- Guideline for Small Projects

Facilitation

- Streamlined procedure
- Precise timeframe for project consideration and bidding processes
- Project Development Fund

Transparency

- Prohibitions for Related person to serve private counterparties
- Disqualification Criteria for Advisors and Bidders

2019

PPP Act 2019

Public Private Partnership Act 2019 (PPP Act)

Addition Key Principles:

- More Private Participation
- Private's Innovations and Knowhow Transfer
- More Supporting Measures

Facilitation

Facilitate both domestic and international investors in Public Private Partnership process

Alignment

Align with International PPP Concepts

Streamline

Short and explicit PPP process and cooperation between government agencies

Transparency

Information disclosure and investigable



Definitions of a 'PPP Project' under PISU Act and PPP Act

a 'PPP Project' under PISU Act

1



An undertaking which is a government agency either singly or collectively, have a legal obligation to perform

or

2



An undertaking which requires the utilization of natural resources

or

3

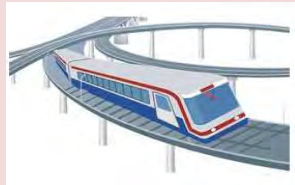


An undertaking which requires the utilization of properties of one or several government agencies either singly or collectively



A public-private joint investment undertaken by any means, or designation of a unilateral private investment

a 'PPP Project' under PPP Act



A project which is a government agency/ state enterprise/ other state agency/ local administrative organization either singly or collectively, have a legal obligation to perform



A public-private joint investment undertaken by any means, or designation of a unilateral private investment

Sectors specified in 'Section 7' of PPP Act

8 Economic Sectors

3 Social Sectors

Other sectors specified under the royal decree

Key Roles of PPP Committee (PPP Act 2019)

PPP Policy Committee
≤ 17 members

Prime Minister

Chairman

Minister of Finance

Vice - Chairman

Powers and Duties of The Committee (Section 16)

1. To give opinions to the Minister prior to the enactment of a Royal Decree under this act
2. To give consent on the PPP Project Plan and prescribe the guidelines for formulating, revising, and monitoring the implementation of the PPP Project Plan
3. To consider and appoint the government agency that shall be the Host Agency as prescribe in Section 30
4. To consider and prescribe criteria and procedures of PPP projects having the lesser value than five billion Baht or lesser than value prescribe by Ministerial Regulation.
5. To give consent, in principle, of the PPP Project
6. To propose guidelines for resolving problems or obstacles in undertaking and implementing PPP Projects and to set the timeframe to accelerate any implementing of PPP Projects to the cabinet
7. To give consent to the amendment of PPP contract as prescribe in section 48
8. Issue Notifications as provided in this Act
9. To render decision on problems relating to complying with this Act
10. To demand a Government Agency or private entity implementing a PPP Project to give explanation, give opinion, or deliver information or documents relating to the PPP Project
11. To appoint subcommittees or working committees to consider or perform duties, or undertake any actions as delegated by the PPP Policy Committee. The provision of Section 19 shall apply to the subcommittees *mutatis mutandis*
12. To perform other duties as prescribed by this Act or other law as the authority and duties of the PPP Policy Committee or as delegated by the cabinet

Permanent Secretary of MOF

Member

Secretary-General of Council of state

Member

Secretary-General of NESDB

Member

Director-General of SEPO

Member & Secretary



Secretary General of Board of Investment

Member

New PPP Act (2019) provide more supporting measures from Thailand Board of Investment to investors

Attorney General

Member

Director Bureau of the Budget

Member

≤ 5 Qualified Experts

Member

≤ 2 Officials of SEPO

Assistant Secretaries

Chairman of Thai Bankers' Association

Member

Chairman of Federation of Thai Industries

Member

Chairman of Board of Trade of Thailand

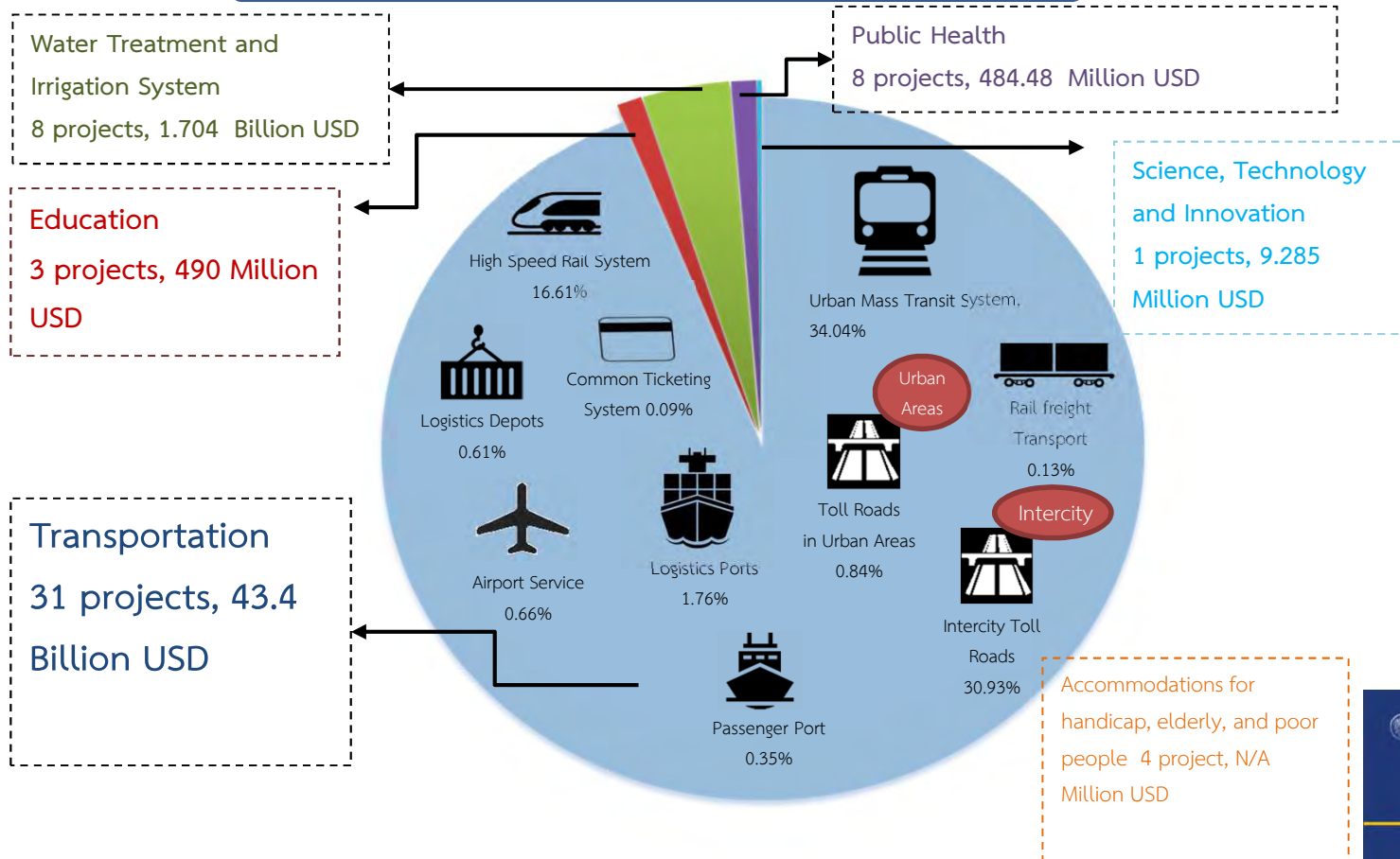
Member

Private Sector Participants



PPP Strategic Plan 2017 - 2021 (2560 – 2564 B.E.)

Project Pipeline as of March 2019 (55 Projects)



Estimated Investment Cost 46,087 Million USD

Remark : FX 1 US Dollar = 35 Baht
Source : State Enterprise Policy Office, Thailand

MRT ORANGE LINE (WEST SECTION: TALING CHAN – THAILAND CULTURAL CENTRE)

PROJECT OWNER: Mass Rapid Transit Authority of Thailand - Ministry of Transport

The MRT Orange Line Project (West Section) commences at Taling Chan Railway Station. From there, it travels along the 'Thonburi' railway and passes Esang Khru, Nam, Sras, Hospital and under the Chao Phraya River near Samsat Ploa Phikhae Bridge, it passes under Rattadistrai Road and continues along Lat Luang Road. After that, it passes through Yommarat Road to Phra Prathum Road, turns to Ratchaprarop Road and then to Din Daeng. It then turns to Vibhavadi Rangit Road, turns right to the Bangkok City Hall 2 (Sri Kasem), travels along the interchange with the Chaoem Petchaburi Road Line of Thailand Cultural Centre Station. The underground route spans 19.3 kilometres and has a total of 12 stations.

PROJECT DEVELOPMENT:

- 2012: PPP Feasibility Study
- 2015: Construction Starts
- 2018: Private Party Selection
- 2024: Operation Starts

EXPECTED PPP SCHEME: Build-Transfer-Operate (BTO), where the private party will be responsible for the construction, operation and maintenance of the project. Construction duration is expected to be 25-30 years.

TOTAL INVESTMENT COST: 124,249 Million Baht

EXPECTED PRIVATE SECTOR INVESTMENT: 12,738 Million Baht

State Enterprise Policy Office (SEPO)

PPP Project Pipeline 2017-2021



Public Private Partnership Plan (New PPP Act 2019)

The National Economic and Social Development Plan

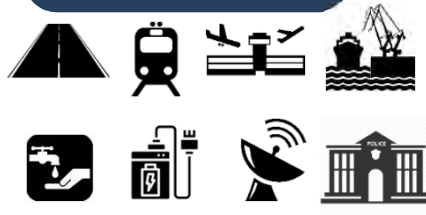
PPP Strategic Plan 2017 - 2021 (2560 – 2564 B.E.) Act 2013

Selection and Prioritization Process

New PPP Plan (PPP Act 2019)

Article 7 (New PPP Act 2019)

8 Economic Infrastructure



3 Social Services



Other undertaking According to the decrees

Other undertaking that is vital 11 state undertakings



Key Roles of PPP Unit (SEPO)



State Enterprise Policy Office (SEPO)

Three Key Roles of State Enterprise Policy Office

Act as Central of PPP Unit

Secretariat to PPP Committee

In Charge of Multi-Agency Coordinator

PPP Unit
Roles and Responsibilities

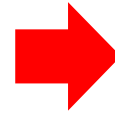
PPP Unit Roles and Responsibility

1. To formulate and propose the PPP Plan for consideration and consent by the PPP Policy Committee
2. To appoint the government agency that shall be the Host Agency
3. To develop knowledge on Public Private Partnership, whether in collaboration with private agencies and organizations, in the country and abroad in order to publish, educate, and give advice on Public Private partnership
4. To give opinions, advise and prescribe procedures to the Government Agency with respect to the compliance with this Act
5. To report problems and obstacles arising from the implementation of this Act to the PPP Policy Committee
6. To undertake any other act as prescribed by this Act or as delegated by the Cabinet or the PPP Policy Committee.



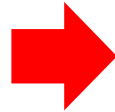
Major Concerns of PISU Act and Solutions Proposed by PPP Act

The scope of PPP application was very broad. There were a larger number of non-infrastructure projects executed under the PISU Act



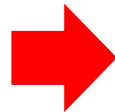
Encompasses the PPP application purposely for infrastructure-related investment

Did not clarify the 'Partnership principle' between public and private parties



Aims to build the relationship between public and private parties based on fair and real partnership principle

Lack of measures to solve conflict between government agencies



Provides mechanism to solve problem throughout the PPP process

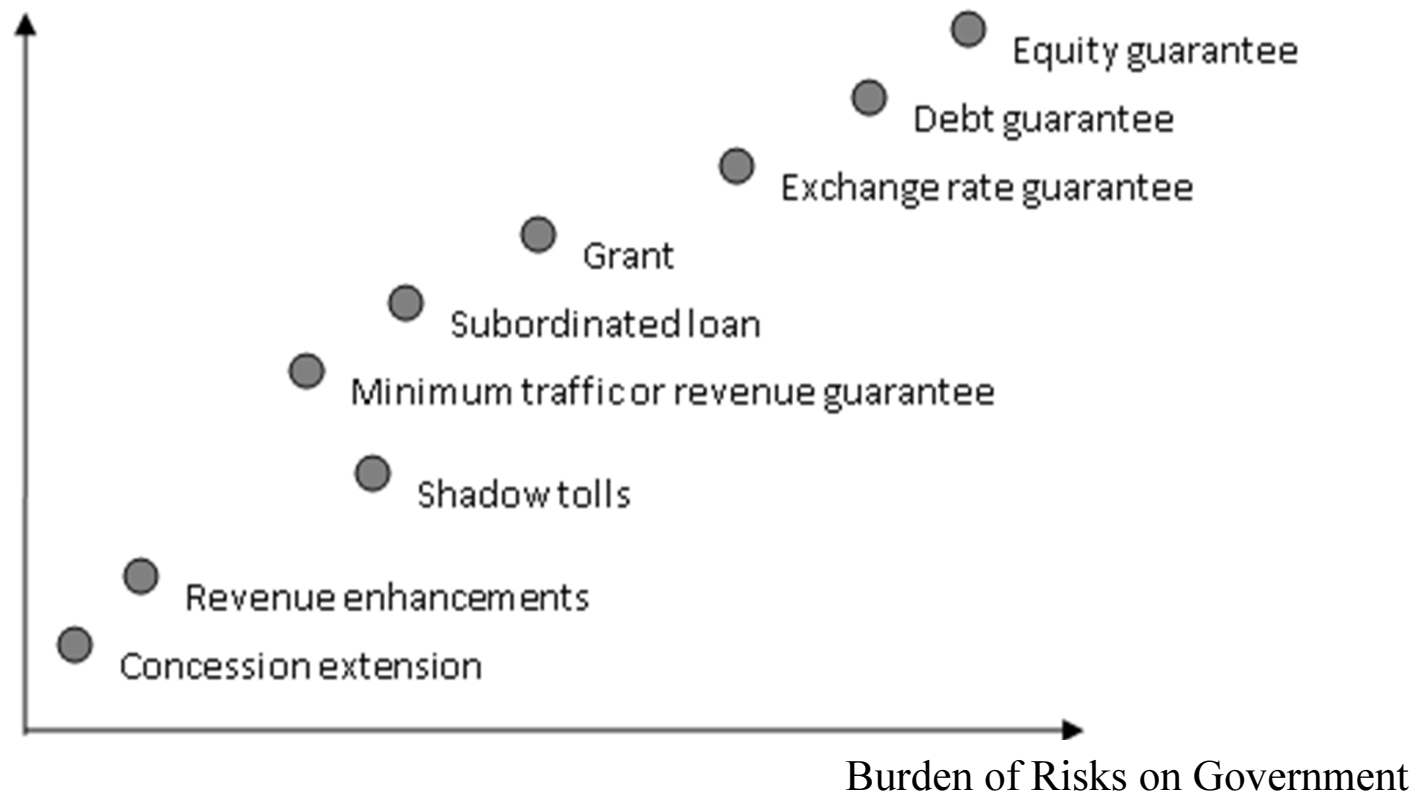
Lack of PPP promotions to make projects more attractive for private investors



Provides PPP promotions to projects under monetary and fiscal discipline

The changed distribution of risks can shift the risk burden between the parties but weaken the attractiveness of PPPs

Impact on Fund Raising Ability of Projects



Range of options for government support (Fisher & Babbar, 1996)

PPP Project Pipeline 2017 - 2021



PPP Project Pipeline 2017 - 2021



**SPECIALIZED MEDICAL CENTER,
DEPARTMENT OF MEDICAL SERVICES**

**KATHU - PATONG EXPRESSWAY,
PHUKET PROVINCE**

**MRT PURPLE LINE
(TAO POON - RAT BURANA
[KANCHANAPHISEK RING ROAD])**

State Enterprise Policy Office (SEPO)

**PPP Project
Pipeline
2017-2021**

Bang Pa In – Nakhon Ratchasima Intercity Motorway

PROJECT OWNER : Department of Highways – Ministry of Transport

Bang Pa-In - Nakhon Ratchasima Intercity Motorway is one of the PPP fast-track projects that will support transportation between Bangkok and metropolitan areas and Thailand’s Northeastern provinces by reducing traffic on Highway No.1 (Phahon Yothin Road) and Highway No.2 (Mittraphap Road) that currently have heavy traffic especially on weekends. This project will also improve transportation system in Thailand in terms of safety, efficiency, and logistics integration.



PROJECT DEVELOPMENT :



PPP SCHEME :

PPP is in gross cost scheme (availability payment model). The public sector will be responsible for land ownership and civil work, and the private sector will be responsible for system work, operation and maintenance of the project. Concession duration is 30 years



TOTAL INVESTMENT COST

116,600 Million Baht



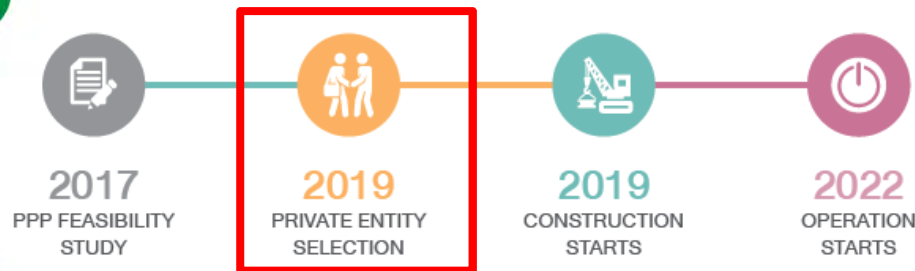
Nakhon Phanom Cross-border Logistics Center

PROJECT OWNER : Department of Land Transport – Ministry of Transport

Nakhon Phanom is a province with strategic location through which regional cross-border roads and the Asian Highway No. 12 pass. The logistics center of Nakhon Phanom is located at the 3rd Thai-Lao Friendship Bridge in At Samat Subdistrict, and has a total area of 117 rai with the logistics center functioning as a place to equip the infrastructure needed for goods transportation between Thailand and other countries including Lao PDR, northern Vietnam, and western China. The goal is to prepare the infrastructure in such a manner that is convenient and saves time and costs for transportation. In addition, it will also work to prepare for future government development projects related to transportation, and help to heighten the value of transportation in Thailand and future economic developments to follow.



PROJECT DEVELOPMENT :



PPP SCHEME :

Build-Transfer-Operate (BTO), where the public sector will be responsible for land ownership, and the private sector will be responsible for construction, equipment procurement, and operation and maintenance of the project. Concession duration is expected to be 30 years



TOTAL INVESTMENT COST

1,361.36 Million Baht



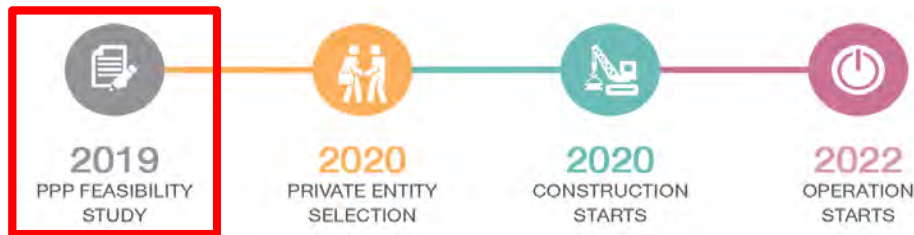
CONSTRUCTION OF RANGSIT CITY MUNICIPALITY WASTEWATER TREATMENT FACILITY, PATHUM THANI PROVINCE

PROJECT OWNER : Wastewater Management Authority – Ministry of Natural Resources and Environment

The Construction of Rangsit City Municipality Wastewater Treatment Facility in Pathum Thani Province is one of the four projects under the Ministry of Natural Resources and Environment. The objective of the project is to treat wastewater in the Rangsit City Municipality, an area densely filled with houses, commercial buildings, and seeing rapid expansion of communities. Upon construction completion, the project will have 10.8 kilometres of wastewater collection pipes, and will be able to clean 100,578 cubic metres of wastewater/day.



PROJECT DEVELOPMENT :



PPP SCHEME :

Build-Operate-Transfer (BOT), where the public sector will be responsible for the design and construction of the wastewater collection pipes, and the private sector will be responsible for acquiring the land, design and construction of the wastewater treatment plant, installation of the wastewater treatment systems, financing, and operation and maintenance of the project. Concession duration is expected to be 25 years.



TOTAL INVESTMENT COST: 443.12 Million Baht

EXPECTED PRIVATE SECTOR INVESTMENT: 310.18 Million Baht





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Ministry of Finance, Thailand

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<http://www.sepo.go.th>

Parties involved and Structures of PPP

