

Second Meeting of the Infrastructure Financing and PPP Network of Asia and the Pacific

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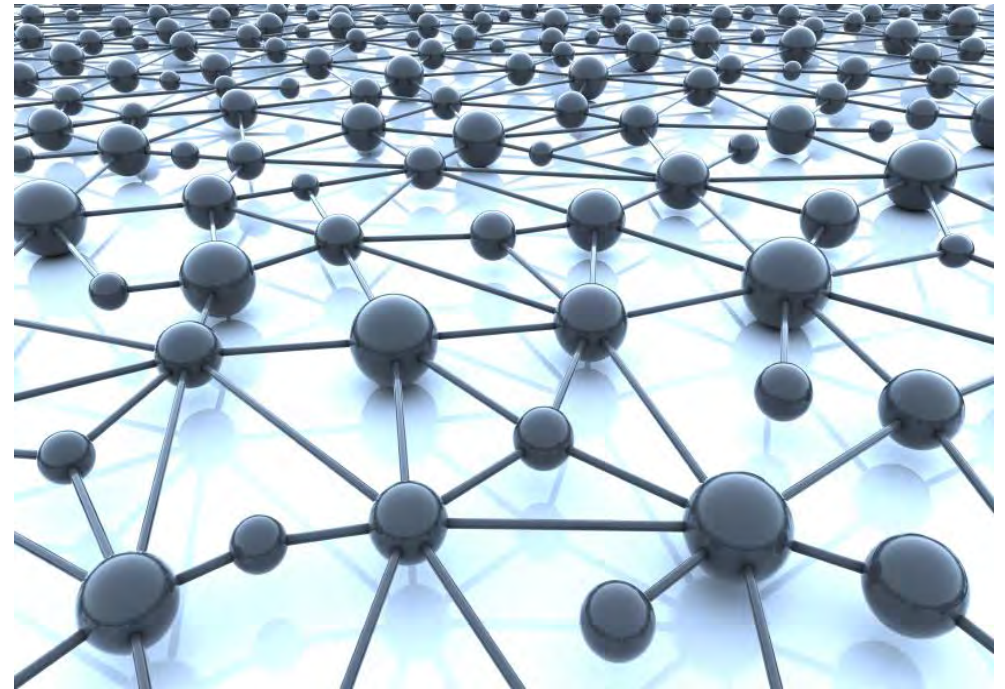
PPP AGREEMENT MANAGEMENT AT THE IMPLEMENTING AGENCY



Najmus SAYADAT, PhD
Director, PPP Authority
Prime Minister's Office

PUBLIC-PRIVATE PARTNERSHIP (PPP)

Public–private partnerships are cooperation of some durability between public and private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products or services (Van Ham & Koppenjan,2001:8).



PUBLIC-PRIVATE PARTNERSHIP (PPP)

Public-private partnership means ‘a working arrangement based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector’ (Bovaird, 2004, p. 2).

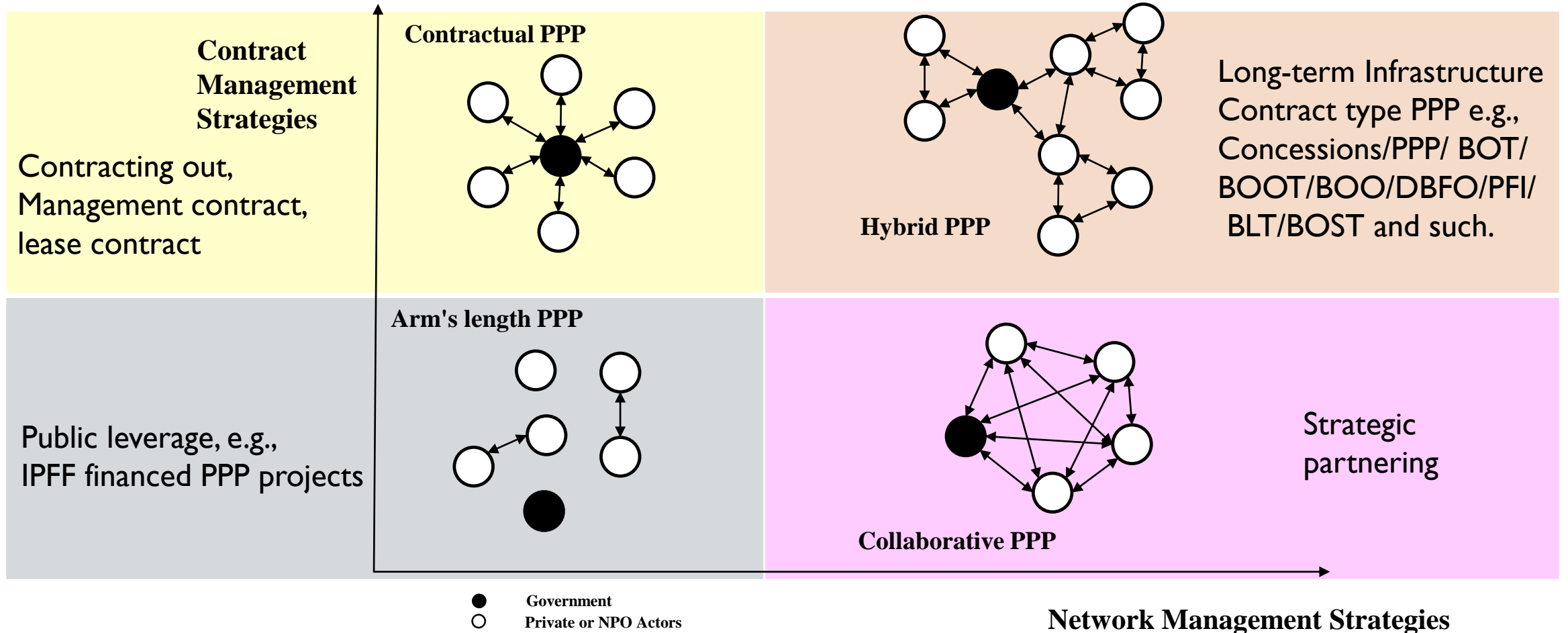
It exclude those relationships which are based simply on the traditional contracting principles of management, monitoring and enforcement of a detailed specification contained within a legally binding contract as PPP.

MANAGEMENT STRATEGIES EMPLOYED IN PPP

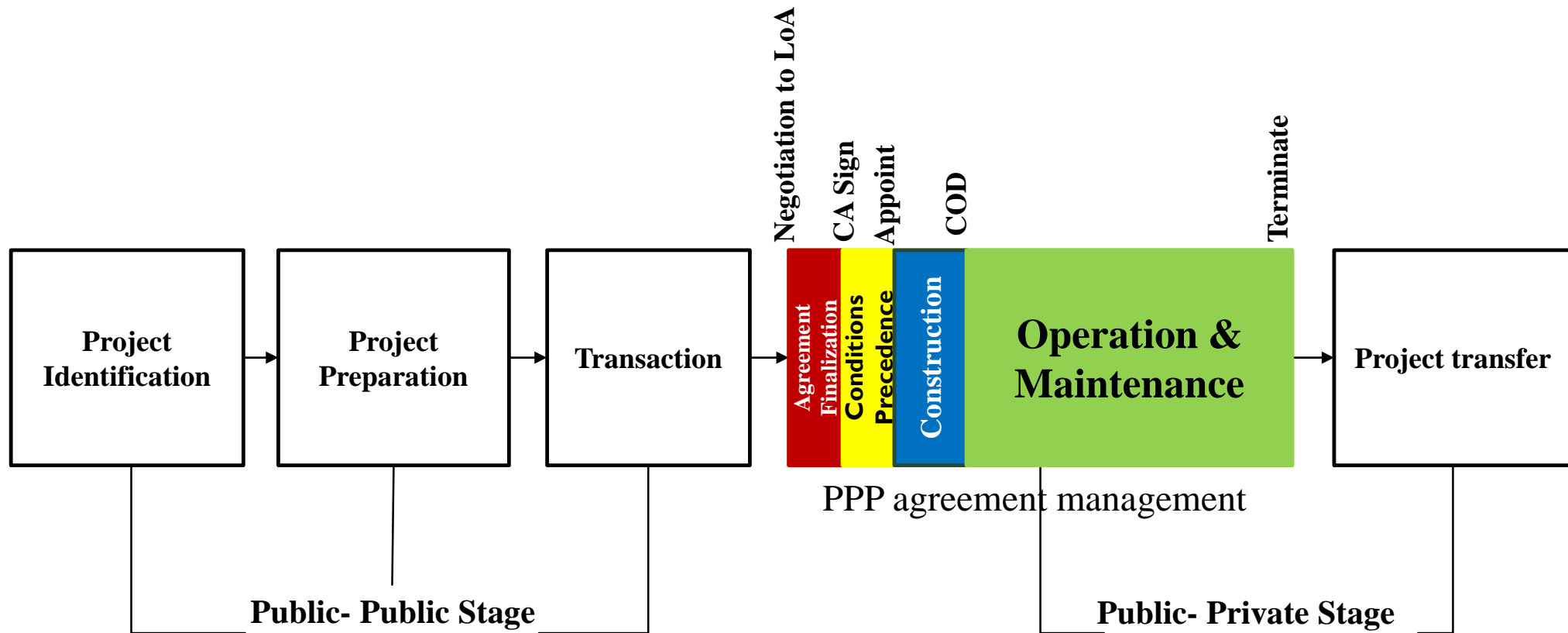
Two major forms of management strategies are employed in PPP:

- **Process/network/relationship management strategies.**
- **Project/contract management strategies.**

ORGANIZATIONAL FORMS OF PPP



PHASES OF PPP IMPLEMENTATION



PROCESS MANAGEMENT / RELATIONSHIP MANAGEMENT AT PPP CONTRACT MANAGEMENT STAGE

Process Management or Relationship Management involves:

- Sharing Goals with the Partners and creating a unified vision;
- Sharing risk and resources among the interdependent partners in a PPP;
- Communication, information sharing and developing and managing communication channel;
- Relationship building and periodic relationship assessment;
- Trust building and developing mutual respect between partners; and
- Consensus building in the form of effective issue solving and resolving conflict

PROJECT MANAGEMENT STRATEGIES EMPLOYED IN PPP

- **Project/ contract management strategies** focus on
 - Specifying and assessing policy design goals,
 - Looks for budget, time and premiums,
 - Monitoring the progress of the private operations,
 - Enforcement of contract provision,
 - Central steering and control following manual.

ASSESSING PPP PERFORMANCE



BACKGROUND INFORMATION OF LAND PORT PPP

- Following PSIG-2004, the Ministry of Shipping and the Bangladesh Sthala Bandar Kartipaksha (BSBK) decided to develop twelve land ports on Build-Operate-Transfer (BOT) basis through private sector for better and efficient storage & handling of cargoes. Among initially selected twelve land ports, six land ports have been transferred under this program.
- Under the BOT system, BSBK acquires the land and leases it to an investor. The investor is selected through a bidding process to develop, operate and maintain the land port for 25 years. In return, the investor will pay an agreed amount of royalty (Fixed and Variable Royalty) to BSBK. At the end of the concession period, the investor will transfer the port to BSBK including all fixed and movable assets.
- Here, management strategies and performance of following two land port PPPs shall be presented:
 - Teknaf land port PPP and
 - Sonamasjid land port PPP

**UNITED LAND PORT TEKNAF LTD.:
A SUCCESSFUL PPP IN BANGLADESH**

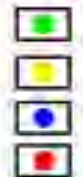
**Bangladesh Sthala Bandar
Kartipaksha, Ministry of Shipping
And
United Group**



Teknaf Land Port stands on the west bank of Naff river at Teknaf Upazila of Cox's Bazar district with an area of **27 acres**. Opposite to the port, there stands Mungdu area of Myanmar.

Legend :-

- 1. Operating by BLPA
- 2. Operating by Private Operator
- 3. Under Development Process
- 4. Proposed Land Port

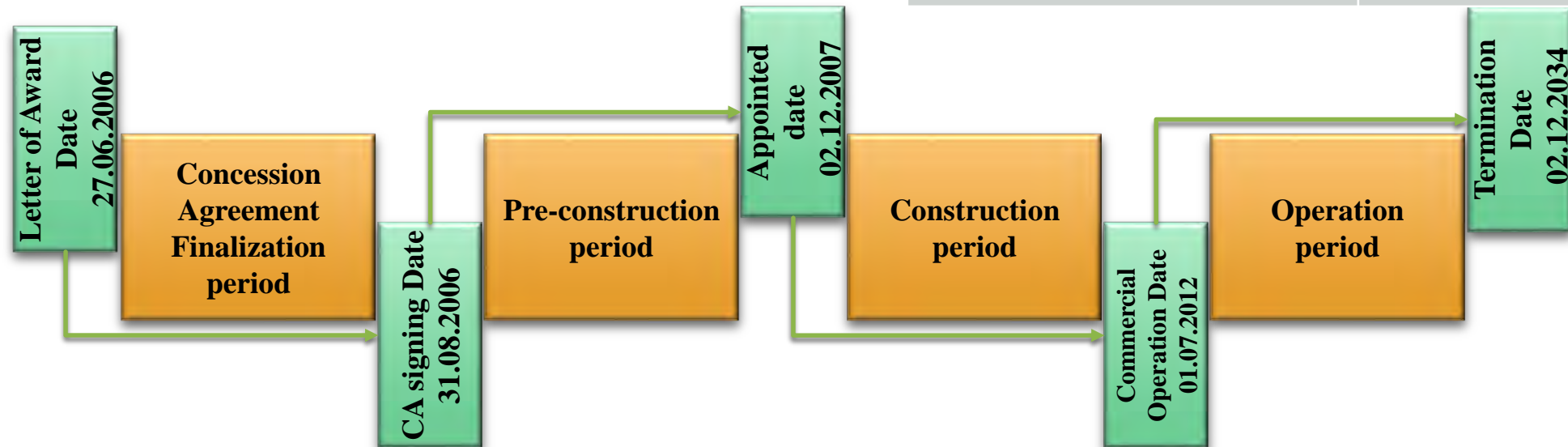


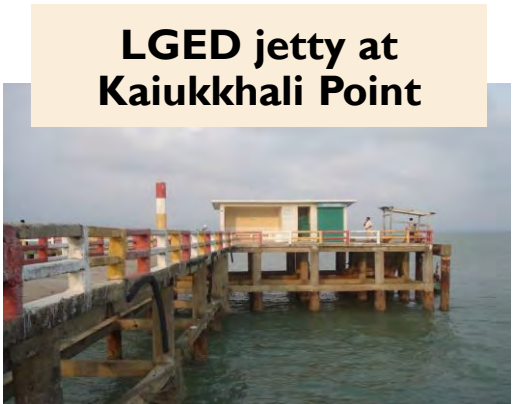
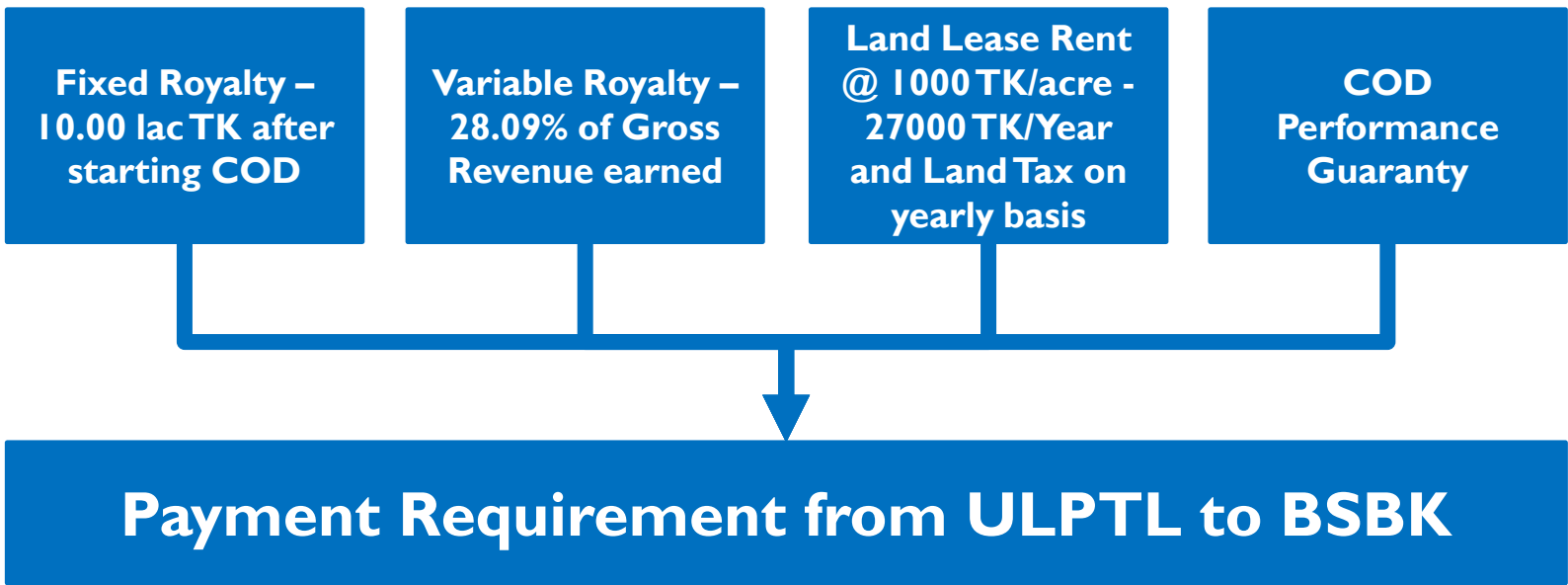
Land Lease Agreement was signed and it was physically handed over at the site on **02.12.2007**



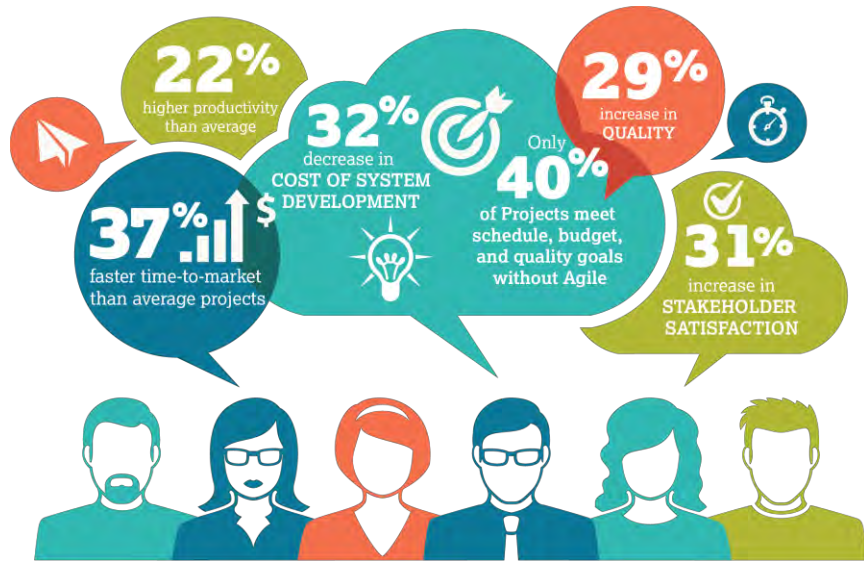
INFRASTRUCTURE AND EQUIPMENT, with an estimated project cost of TK 28.24 Cr.

- | | |
|--------------------|--------------------------|
| Warehouse-2 | Approach road |
| Cold storage-1 | Canteen, Internal road |
| Transit shed-1 | Cargo jetty with pontoon |
| Open stack yard-1 | Staff dormitory |
| Truck parking-2 | Rest house |
| Customs godown-1 | River bank protection |
| Passenger jetty-1 | Mobile asset: |
| Earth filling | Truck weigh scale |
| Boundary wall | Weigh scale |
| Passenger terminal | Generator |
| Passenger shed | Telephone, fax, computer |









Stakeholder Satisfaction

“Government’s objective is to facilitate the service as if the people of the country get benefits. The private port operator is doing this job consistently, thus we do not have any dissatisfaction” (Chairman, BSBK).

‘Teknaf Land Port is a successful PPP project. It is because of ethical practice of the private investor, not for other reasons. However, we still cannot claim that we have been fully mechanized with all sorts of equipment. So still there is room for improvement’ (GM, TLP PPP).

Port operator is very much responsive and all sorts of problems are solved within one to two hours. So, I am fully satisfied with the current arrangement. Moreover, labor deficiency and labor management issues are no longer the case of this port. (Service Recipient, TLP PPP)

Sustainability of the



“With some precautionary measure we can easily do partnership with the private partners for constructing and operating the port”. (Superintendent Engineer, BSBK)

“ULPTL itself is a model of new entrepreneurial development. If government wants to do another PPP for another Port, we will go there and hopefully we will be the best competitor. The important fact is that government will want us for showing such level of entrepreneurial development at the port. For us, it would be easy to discuss the CA provisions and identify the problems. In that case there will have opportunity to overcome the existing problems those we are facing now”. (GM, TLP PPP)

**PANAMA SONAMAJID PORT
LINK LTD.: FIRST LAND PORT
PPP**

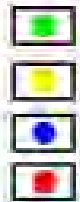
**Bangladesh Sthala Bandar
Kartipaksha, Ministry of Shipping
And Panama Trading.**



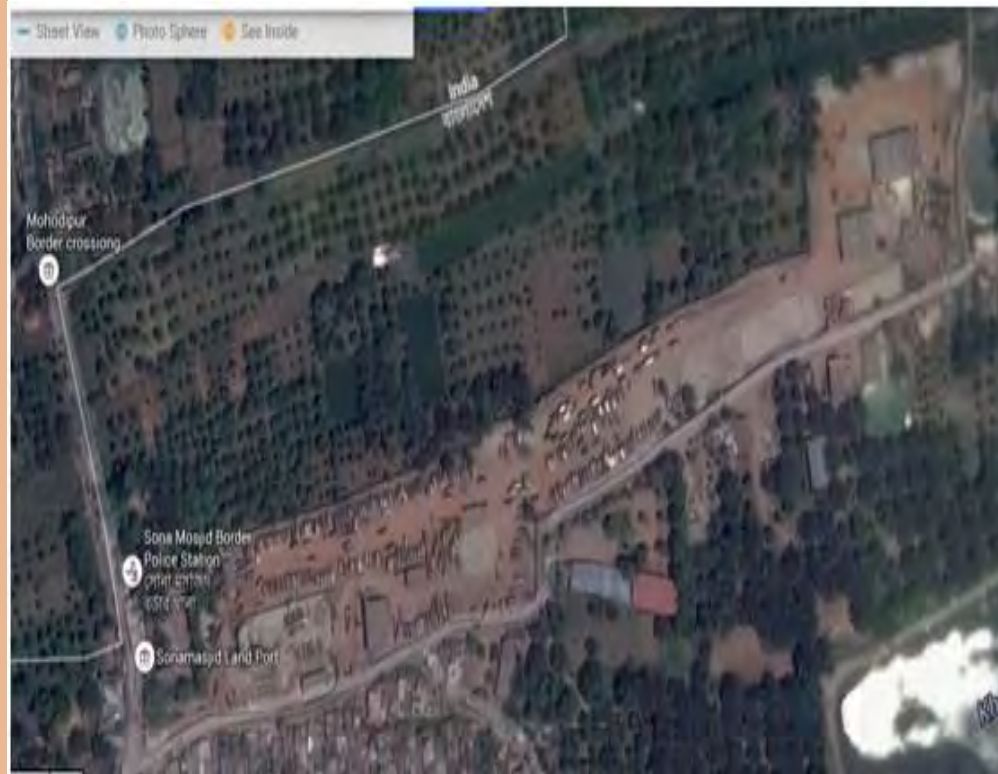
Sonamasjid land port is located in Shibganj Upazila under Chapai Nawabganj district on 19.10 acres of land and about 200 meters away from Indian border.

Legend :-

- 1. Operating by BLP
- 2. Operating by Private Operator
- 3. Under Development Process
- 4. Proposed Land Port

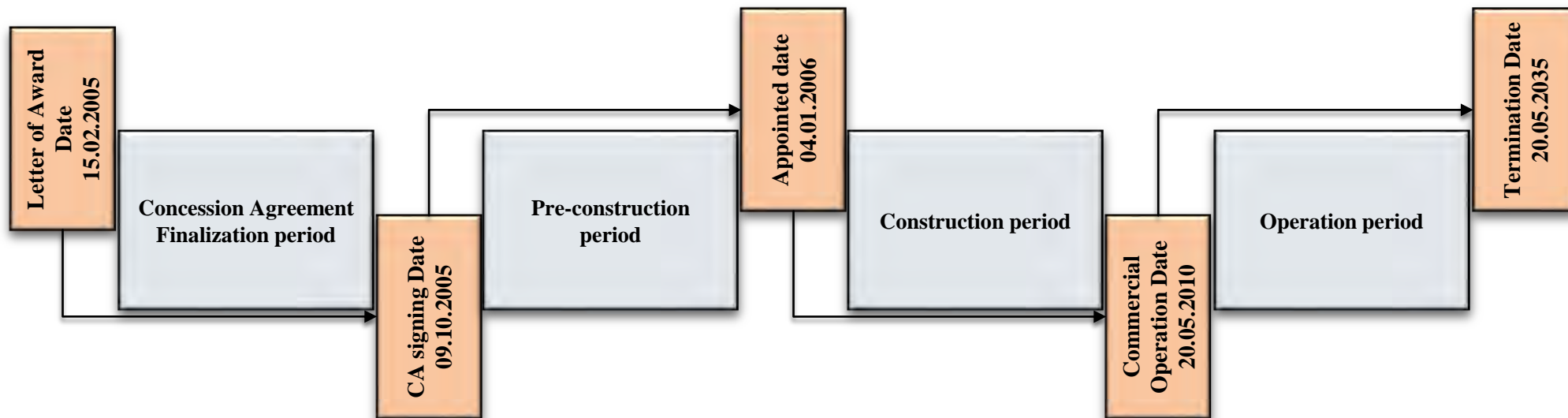


Land Lease Agreement was signed on 04.01.2006 for 18.03 acre of land was handed over to Port Operator. Later on more 1.10 acre land was acquired and handed over to PO in 2012



FACILITIES REQUIRED TO BE DEVELOPED with an estimated project cost of TK 16.72 crore

- Administrative building, dormitory, barrack
- Warehouse, customs godown, cold storage
- Transit shed, transshipment yard, open stack yard, truck parking yard
- Port security wall, boundary wall, internal access road, watch tower
- Public toilet, drainage system, water supply, electrification, fire fighting, telephone
- Power generating unit
- Fork lift (capacity- 3-5 ton)
- Mobile crane (capacity- 3-5 ton)
- Truck mounted crane (capacity- 5-10 ton)
- Trolley (capacity- 100 kg)
- Weigh bridge
- Weighing scale





Advance amount – 5.07 crore TK

Fixed Royalty – 30.00 lac TK after starting COD

Variable Royalty – 49% of Gross Revenue earned

Land Lease Rent @ 1000 TK/acre - 18030 TK/Year and Land Tax on yearly basis

COD Performance Guaranty

Payment Requirement from PSPLL to BSBK



Due to sufficient space shortage, crashed boulder stone and fly ash loaded truck go outside the port for unloading the goods at the importers premises. As a result, the port operator is losing around 60% of the port charge collectible from those goods.



EVENTS OF DEFAULT AND TERMINATION

Events of Default	Remarks
1. Failure to develop infrastructure	Major facilities were not constructed except security wall, land development, internal road, drainage system, electrification without taking the drawing approval from BSBK and done on temporary basis
2. Failure to install equipments	Could not procure and install equipments
3. Failure to pay royalties	Total outstanding amount is 182.23 lac TK as on 04.06.2008
4. Failure to submit reporting statements	Few monthly reports only and most of the cases without required supporting documents
5. False statement, dealing with contraband items, dispatches cargo without customs clearance	Events of dispatches cargo without customs clearance
6. Not start COD at due time and liquidated damage exceeds 32.40 lac TK	Liquidated damage due to not start COD at due date has been exceeded 32.40 lac TK as on 04.06.2008

Due to not cure the Events of Default based on Sub article 12.3a of the CA, BSBK issued termination notice to the port operator on 04.06.2008

ENFORCEMENT OF CONTRACT AND DIRECT AGREEMENT

- Due to not cure the Events of Default, BSBK issued termination notice to the port operator giving 45 day as initial cure period for curing events of default. Port Operator was failed to cure the events of default and IDCOL as Facility Agent enters in to cure the events of default.
- IDCOL following Direct Agreement, applied Evaluation Period of 30 days, Lender Cure Period of 180 days and then applied for Final Cure Period of 30 months. Based on DA, IDCOL in this period nominate a Substitute (SUCCESSOR or TRANSFEREE) who will perform all obligations and exercise rights and power mentioned in the CA.
- IDCOL nominate a Designee of PSPLL on 05.11.2009 to cure the Events of Default. As per First Amendment of Concession Agreement on 20.05.2010 COD has been started for SLP and Termination Notice has been withdrawn on 07.07.2010. However, Designee failed to keep the promises.
- Since COD situation of SLP remain unchanged. BSBK send notice on **29.09.2013** to Port Operator to cure the Event of Default and then issued Termination Notice on **03.11.2014** for the second time. However, BSBK circulate 'temporary stay of the Termination Notice' based on decision given on PSPLL application on 16.11.2014 with some terms and conditions.

Administrative Building under construction

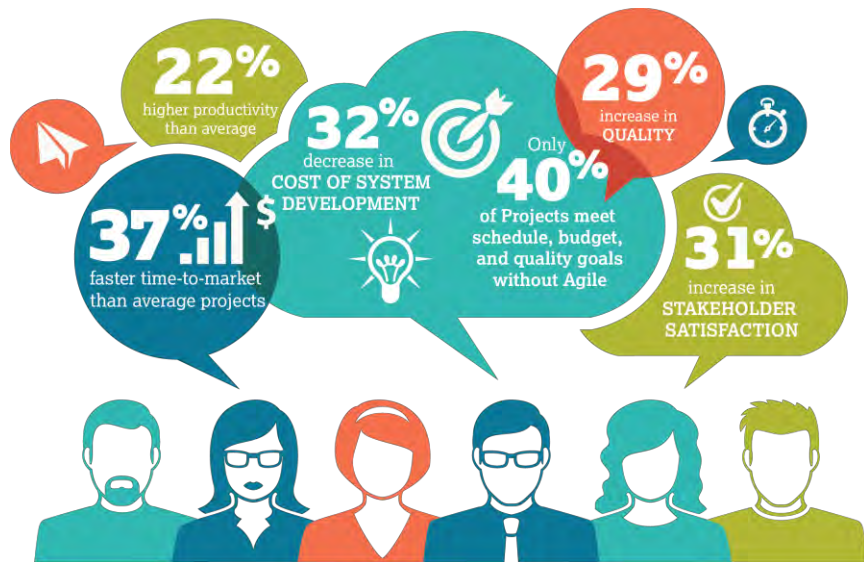


Ware house (Old)



Security Dormitory





Stakeholder Satisfaction

‘Most of the cases service quality did not improve at the port’ (Superintendent Engineer, BSBK); ‘We are unable to implement CA provisions, rights, obligations. PO could not implement any commitment. To my opinion, 95% of commitments are not implemented. (Executive Engineer, BSBK).

‘Still no commercial success we see but the major benefit from operating this port is that we have secured some expertise in operation of land port. Initially, I went to partnership to have some prestige issue that entering into PPP project will bring reputation in society. Unfortunately, the desired prestige position is still not achieved’ (Managing Director, PSPLL).

‘When goods of big importer are unloaded, Bangladeshi Truck cannot take more than 15 MT and those trucks collect exit pass and exit through one gate. On that time, the other trucks cannot get exit easily. There are also problems in weighing scale, trucks take long time to pass. Extra payment of labor is prevalent here due to not having charged fix for them. There is also theft of goods in the port. Port operator maintains the serial but it takes long time’. (Service Recipient, PSPLL)

Sustainability of the



'We can implement project through partnership with the private operator, this type of belief has not been created from the experience of SLP PPP' (Chairman, BSBK).

Director, BSBK mentioned about disappointing performance of the SLP PPP and no study was conducted yet on post operational performance. Though one academic study was conducted on SLP in which the researcher claims that for PPP, off-take agreement in power sector is better than the revenue sharing agreement in the land port sector.

EXTENT OF EMPLOYING PROCESS STRATEGIES

PPP Processes	Case A: Teknaf Land Port (nearly successful PPP)	Case B: Sonamasjid Land Port (nearly non-successful PPP)
Goal sharing	Moderately High	Low
Risk and resource sharing	Moderately High	Low
Communication & information sharing	High	Low
Trust building	High	Low
Relationship building	Moderately High	Low
Consensus building	Moderately High	Low
Overall employment of Process management strategies	Moderately High	Low

Higher Process Management Strategies signify higher cooperation among the partners which lead to PPP performance

DECISION IN SOLVING ISSUES AND RELATIONSHIP MANAGEMENT

Decision Made in Solving Issues/ Problems at TLP PPP and SLP PPP

Case	PPP	Decisions on issues/ problems
A.	TLP PPP	Among 11 decisions, nine decisions are 'positive', one is non-decision, and the last one was primarily negative later on became positive. It shows sign of breakthrough in the policy process.
B.	SLP PPP	Among 16 decisions, only five decisions are 'positive', one is positive for port operator but against public authority's choice, whereas the rest 10 decisions are either negative or non-decisions. It signifies an impasse in the policy process.

'Positive' - once implemented, alter the status quo in some way/ 'negative' decision - a deliberate choice is made to preserve the status quo / 'non-decisions'- options to deviate from the status quo are not considered (Howlett et al., 1995).

Year wise bi-lateral meetings and decisions

Year	Number of meetings	No of decisions	No of decisions implemented
<u>Teknaf Land Port PPP</u>			
2006-2013	13	46	38
<u>Sonamasjid Land Port PPP</u>			
2006-2015	21	83	33

Source: BSBK

Data and information signify causality between PPP process management strategies and PPP performance.

PROJECT MANAGEMENT STRATEGIES EMPLOYED AT PPPS

- In SLP PPP, it is found that since 2006 to 2012, a total of 16 times, officials of BSBK inspected for various reasons. This is beyond the regular internal audit teams' inspection.
- In case of TLP PPP, it is found that since 2007 to 2012, a total of 16 times, officials of BSBK inspected beyond the regular internal audit teams' inspection. So, there is no such deficiency in monitoring the port operator's functions by the port authority even though there is no such individual section in the CA for monitoring.
- Contract provision was enforced in both the cases as and when necessary.
- However, there is no contract management team at the implementing agency as well as no contract management plan or dedicated fund for contract management.

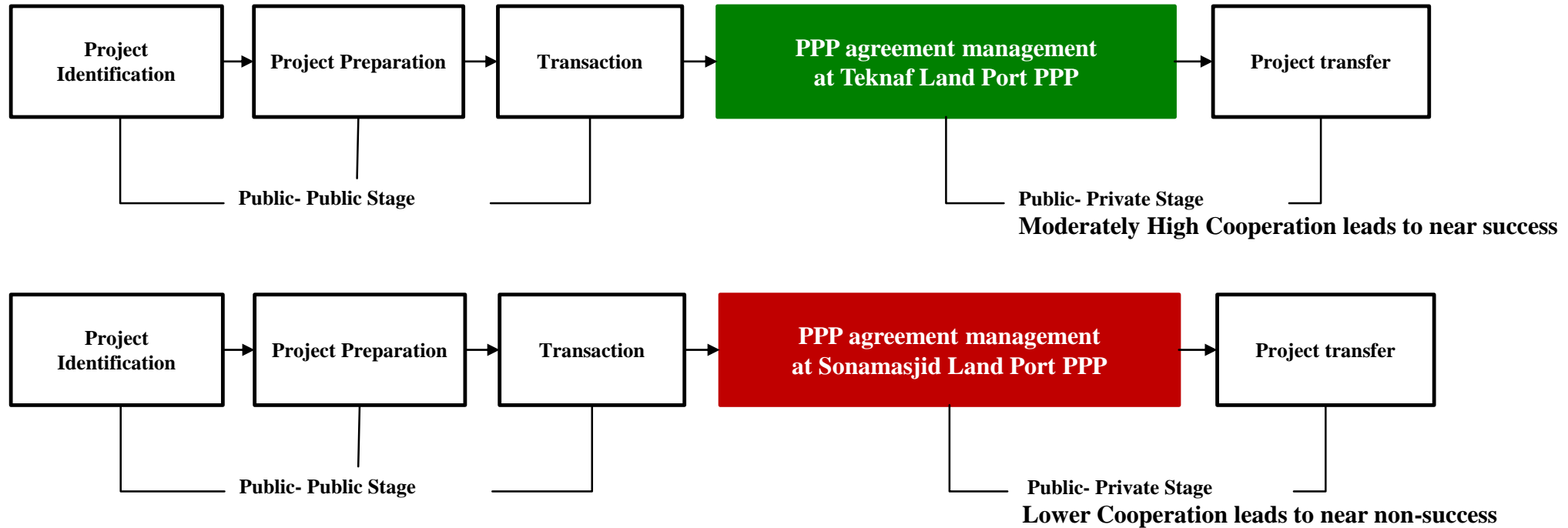
In both the cases, PPP management strategies were employed to a similar extent

RIVAL EXPLANATIONS

Explanation for Performance	Case A: TLP PPP (Nearly success case)	Case B: SLP PPP (Nearly non-success case)	Comments
Process Management Strategies (process/network management strategies)	Employed at higher extent	Employed at lesser extent	Variable pattern
Rival explanations for Performance			
Project Management strategies (inspection, enforcement & arrangement)	Moderate extent	Moderate extent	Constant pattern

**As Project Management strategies are not substantiated,
PPP process management strategies affect PPP performance to a great extent.**

IMPORTANCE OF PPP AGREEMENT MANAGEMENT IN PPP PERFORMANCE





THANK YOU VERY MUCH
THIS IS THE END OF PRESENTATION