

# Support for Introducing PPP to Government Organizations



Although the need of introducing PPP (Public Private Partnership) is increasing worldwide, the political challenges that need to be addressed by introducing PPP vary in each country.

According to the circumstances of each country, it is necessary to identify the purpose of introducing PPP as a measure

Need to design PPP scheme and select companies according to diversified needs

Since the demand of infrastructure development in the developing and emerging countries can't be supported only by government financial resources, infrastructure investment through private funds is being more widely adopted. PPP is considered as a key mechanism for the development of new infrastructure.

On the other hand, developed countries are facing various challenges such as deterioration of existing infrastructure, management reforms for inefficient infrastructure businesses and off-balance sheet of assets by the government. Therefore, PPP is considered as an effective measure to resolve these challenges.

In the "PPP model for developing countries", infrastructure can be developed promptly as well as high quality services can be provided with the combination of multiple schemes including Official Development Assistance (ODA) and initiatives for resource development through technological cooperation, while prioritizing the fund utilization of private companies and financial institutions.

On the other hand, in the "PPP model for developed countries", it is necessary to shift the risk to private sector and get investors' participation to off-balance public projects from the government. Also, organization building and governance development will be required for the initiatives such as overseas expansion beyond traditional framework.

## Purpose of Introducing Different PPP Model for "Developing Countries" and "Developed Countries"

### "Model for Developing Countries"

#### Prompt Infrastructure Development

- Developing flexible infrastructure, independent from the support of international aid agencies and government budget
- Promoting necessary infrastructure development while curbing fiscal expenditure as much as possible
- Promoting foreign investment

#### Service Level Improvement

- Providing services by capturing customer needs and raising the awareness of employees
- Acquiring and attracting new customers using the know-how and network of private companies
- Advanced maintenance and management solutions using IT offered by private enterprises

### "Model for Developed Countries"

#### Promotion of Financial and Administrative Reforms

- Reducing the involvement of government departments, government employees and reducing running cost
- Off-balancing administrative assets, shifting deterioration risk to private sector and standardizing fiscal expenditure

#### New Infrastructure Industry Innovation

- Promoting the entry of PPP business with high capability in construction business
- Converting business model aiming at high sales in short-term by construction business to "Earn by operations" business model in the long-term
- Privatizing public projects and expanding overseas

The key to success is to design a PPP scheme and identify the private-entity to involve reflecting the countries' needs.

## NRI understands client-specific needs, thus can propose ideal PPP solutions from objective standpoint and supports until its implementation.

**Provides support menu required for each phase of entire PPP project development**

NRI provides support for all stage of PPP project development for various facility types and infrastructure development, with deep understanding of the economic cooperation system of Japan, and administration and financial system of each country.

In the first phase of our advisory service, we study conditions that define basic performance such as facility concept, necessary functions and scale. We also conduct onsite surveys and estimate development, maintenance and management cost for the formulation of a master plan considering the facility details.

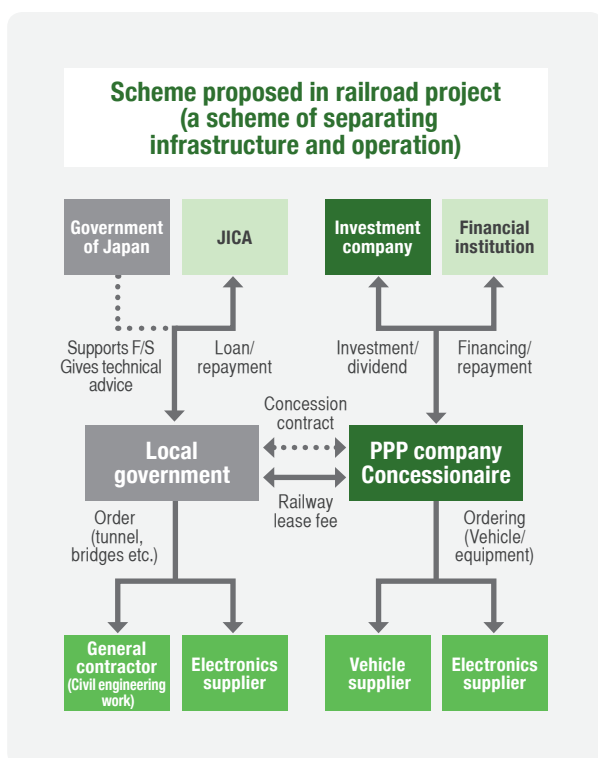
In the second phase, we study development and operation method of facilities, basic schemes, fund raising methods and order unit (bundling multiple facilities). We could also support by gathering the willingness of investors to participate in the bid, and conducting financial simulation as well.

In the third phase, we accompany and support until realizing the signing of agreements by developing the RFP (Request for Proposal) including the design of the criteria for prequalification and/or bids, proposal evaluation, management of selection committee, and creation of meeting material for committee.

**Provides practical solutions based on the experience of supporting domestic and overseas infrastructure development**

NRI has conducted numerous projects on waterfront development, new transportation infrastructure development (LRT, etc.), redevelopment in central urban areas to resolve urban problems such as overcrowding, congestion and environment destruction in the major cities of Japan. We have been supporting the formulation of infrastructure plans in various fields such as transportation, urban development, sanitation and other facilities overseas using our past experience. For example, we proposed a scheme for a railroad project in which the funding for the infrastructure portion (e.g. tunnels, bridges, etc.) can be procured through government funds (local government budget and ODA loans) and operational portion (e.g. for vehicles, electronic equipment etc.) can be procured through private funds (as shown in the left figure below). In a project for support of a project in Southeast Asia, we actively supported the implementation of business by identifying expected issues beforehand and proposing common interests of the both parties' needs based on the findings of conflicts between the interests of government and private sector using our vast experience (as shown in the right figure below).

### Proposal Illustration by the Study of Business Methods



### Solutions of Advisory Services

