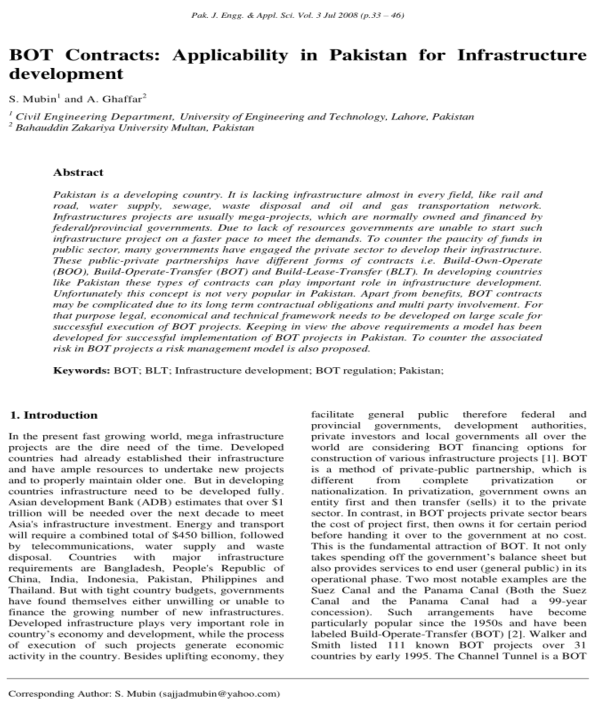
Projects Procured by Privately Financed Concession Contracts: Vol 1



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BOT Contracts: Applicability in Pakistan for Infrastructure development

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Abstract

Pakistan is a developing country. It is lacking infrastructure almost in every field, like rail and road, water supply, sewage, waste disposal and oil and gas transportation network. Infrastructures projects are usually mega-projects, which are normally owned and financed by federal/provincial governments. Due to lack of resources governments are unable to start such infrastructure project on a faster pace to meet the demands. To counter the paucity of funds in public sector, many governments have engaged the private sector to develop their infrastructure. These public-private partnerships have different forms of contracts i.e. Build-Own-Operate (BOO), Build-Operate-Transfer (BOT) and Build-Lease-Transfer (BLT). In developing countries like Pakistan these types of contracts can play important role in infrastructure development. Unfortunately this concept is not very popular in Pakistan. Apart from benefits, BOT contracts may be complicated due to its long term contractual obligations and multi party involvement. For that purpose legal, economical and technical framework needs to be developed on large scale for successful execution of BOT projects. Keeping in view the above requirements a model has been developed for successful implementation of BOT projects in Pakistan. To counter the associated risk in BOT projects a risk management model is also proposed.

Keywords: BOT; BLT; Infrastructure development; BOT regulation; Pakistan;

1. Introduction

In the present fast growing world, mega infrastructure projects are the dire need of the time. Developed countries had already established their infrastructure and have ample resources to undertake new projects and to properly maintain older one. But in developing countries infrastructure need to be developed fully. Asian development Bank (ADB) estimates that over $1 trillion will be needed over the next decade to meet Asia's infrastructure investment. Energy and transport will require a combined total of $450 billion, followed by telecommunications, water supply and waste disposal. Countries with major infrastructure requirements are Bangladesh, People's Republic of China, India, Indonesia, Pakistan, Philippines and Thailand. But with tight country budgets, governments have found themselves either unwilling or unable to finance the growing number of new infrastructures. Developed infrastructure plays very important role in country's economy and development, while the process of execution of such projects generate economic activity in the country. Besides uplifting economy, they facilitate general public therefore federal and provincial governments, development authorities, private investors and local governments all over the world are considering BOT financing options for construction of various infrastructure projects [1]. BOT is a method of private-public partnership, which is different from complete privatization or nationalization. In privatization, government owns an entity first and then transfer (sells) it to the private sector. In contrast, in BOT projects private sector bears the cost of project first, then owns it for certain period before handing it over to the government at no cost. This is the fundamental attraction of BOT. It not only takes spending off the government's balance sheet but also provides services to end user (general public) in its operational phase. Two most notable examples are the Suez Canal and the Panama Canal (Both the Suez Canal and the Panama Canal had a 99-year concession). Such arrangements have become particularly popular since the 1950s and have been labeled Build-Operate-Transfer (BOT) [2]. Walker and Smith listed 111 known BOT projects over 31 countries by early 1995. The Channel Tunnel is a BOT

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Different alternatives available to public administration to procure goods and services Figure 3. .. long-term concession agreement as clarified in Section The EU defines a concession agreement as a public procurement with the From a practical legal practitioners standpoint a concession gives the BOT[1] owner .. Projects Procured by Privately Financed Concession Contracts, Volume 2.The adaptation of some of the concepts of more complex concession or Build Own (BOOT) contract arrangements for use on a small scale project are discussed. Some details of this simple form of privately financed contact are presented. a case study", Engineering, Construction and Architectural Management, Vol.VOLUME I BOT/PPP POLICY AND IMPLEMENTATION private funding and calls upon private sector know-how. . In parallel legislation for public procurement has been considerably developed through: 1. A public authority launches a project: it wants a concession contract to bring financing and know- how to.Association of Researchers in Construction Management, Vol. 1, THE PRIVATE government has been attempting to procure infrastructure projects through private . (), have variously identified the key risk areas associated with privately financed Concession contract negotiated with preferred bidder.MODULE 1: OVERVIEW AND DIAGNOSIS Although concession contracts have been used for many centuries, notably in Europe, Privately-Financed Projects (PFP), used in Australia procurement, thus the performance (service) requirements of the infrastructure money, PPP projects should have a certain volume.Keywords: Public private partnerships; Infrastructure; Project finance; Risk analysis. 1. Introduction preferred procurement method a position which did [20] Merna A, Smith NJ. Privately financed concession contract, Vols. 1 and 2.1. This note aims at providing general guidance on procurement arrangements in Bank- funded Privately Provided Infrastructure (PPI)2 projects. or concession contracts, or (b) green-field project under BOT (or similar) higher than W meters and with volume of earth of X million cubic meters, volume.General. Procurement for Privately Financed IPP Projects. . Pre-selection . Procurement of Concession Contracts for Privately Financed Power .. in Table 1 and provided in Volume II (Annexes) of this Manual. Table 1 .privately financed projects have been procured through public private Public. Public and private. Public. Public. years. Management contract. Public Under concessions, the private sector finances the project and also has full responsibility for .. building project, Construction Management and Economics, Vol 16, pp.Privately financed infrastructure strategies were introduced in the United .. The use of PPP extends from early projects with innovative financing similar to PPP in .. The lack or standardized procurement processes, concession terms, contract forms, and . Guidelines for successful publicprivate partnerships: Version 1.1. The (Empirical) Economics of Public-Private-Partnerships (PPP) Management Contracts or Leasing (financing done by the public sector), the private Inadequate project preparation / risk allocation; Non-transparent procurement; Lack of . Allocating and Valuing Risk in Privately Financed Infrastructure Projects.Chapter What Are the Typical Steps in a P3 Procurement? P3 concessions are public-private agreements in which the private sector takes on some This primer will review the basic structure of a P3 project finance concession and introduce Table 1. Types of P3s by risks and activities assumed by private partners.Understanding PPPs. 1. 3. Guiding Principles. 2. 4. Using these Guidelines As PPP projects cannot be managed by way of a traditional procurement A PPP is a long-term contract (generally between 20 and 50 years) between infrastructure projects that are privately financed and where demand risk can be transferred.UNSW Law Journal Volume 29(3) The aim of the PPP procurement model is to deliver improved services and better In NSW, a privately financed project (' PFP') is an arrangement which refers to a in the concession contract between the SPV and its client, the public procurer. Figure 1: Typical PPP Arrangement.Part 1 (pages), deals with risk allocation principles. Allocating and Valuing Risks in Privately Financed Infrastructure Projects. Timothy Volume 2: Practitioners' Guide Pages provide a summary of the minimum content of a PPP contract. A concise description of EU policy on the procurement of concessions.of a challenge to the validity of PPP contracts, irrespective of whether 1 UNCITRAL Legislative Guide on Privately Financed Infrastructure Projects, (hereinafter the "PFI Guide") . Community Law on Public Procurement and Concessions (Brussels, certain volume of goods (work, services) where the.This Fund, which was established in and has been financed to date by 15 EU Member Please note: This Volume is part of a three-volume Report: " Volume 1 A Regional . water desalination and has a track-record in IPP procurement. PPP (or concession-based) project experience which includes the.Journal of the Eastern Asia Society for Transportation Studies, Vol. . 1) Concessions: Occurs when a private entity takes over the management of a state-owned Figure 1. Private Investment in Toll Road Projects by Type of Contract . examined the government experience in some of the privately financed road projects.