



# MPG

MAHANAKORN PARTNERS GROUP

# ASEAN PPP Summit

The Public-Private Partnership model and its merits in **attracting Foreign Direct Investment.**

Mr. Luca Bernardinetti, Chairman & Managing Partner

April 4, 2019



# About Us



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# Mahanakorn Partners Group



## Corporate Services

Company Registration,  
Corporate Secretarial, BOI  
Company, Business  
Licenses, Trademarks



## Accounting & Audit

Accounting Packages,  
Bookkeeping, Payroll, Half  
Year Report, Personal  
Income Tax, Annual Audit



## Legal Services

Civil Law, Criminal Defence,  
Business Law, Property  
Law, IP, Notary Services,  
Family Law



## Tax Advisory

Tax Structuring, Transfer  
Pricing, Tax Planning,  
Cross-Border Tax  
Compliance



## Global Mobility

Various types of Visa,  
Work Permits,  
Permanent Residency,  
Cultural Training



## Banking & Finance

Advisory and Structuring of  
Debt/Equity Model, TAS,  
Trade Finance & Project  
Finance Advisory



## Management Consulting

Process Optimization, Efficient  
Administration, Market Entry  
Strategies, Capital Projects  
Management



# Capital Projects Management

Sector	Services
<b>Government Sectors and PPPs</b>	<ul style="list-style-type: none"><li>• MPG provides comprehensive and proficient assistance to governmental agencies from the outset and throughout the implementation of PPP projects. MPG can conduct or assess feasibility studies and assist in framework and policy development as well as the tendering and procurement stages.</li><li>• MPG arranges PPP project financing and provides transaction advisory by liaising with the Mandated Lead Arranger (MLA), lenders and underwriters.</li></ul>
<b>Capital Project Management (CPM) Services</b>	<ul style="list-style-type: none"><li>• MPG offers government agencies as well as private businesses its proprietary Capital Project Management, which is used to plan, structure, deliver and manage capital projects cost-efficiently and seamlessly.</li><li>• MPG structures risk mitigation mechanisms throughout the project, from the initial stages of contractual arrangements, framework and offtake agreements through the implementation phases of engineering, procurement and construction until the facility is transferred to the contracting authority.</li></ul>
<b>Market Entry Strategies</b>	<ul style="list-style-type: none"><li>• MPG supports project stakeholders by assessing and laying out strategic plans for a successful market entry, to tackle existing opportunities and establishing a foothold in the new market.</li><li>• MPG provides multinational enterprises with a comprehensive overview on the size of the market, key factors driving its growth potential, competitive landscape, entry barriers and the associated risks, as well as legislative framework and government FDI policies.</li></ul>
<b>Bid Management</b>	<ul style="list-style-type: none"><li>• MPG assists private sector infrastructure companies in assessing business opportunities and preparing bids for construction projects.</li><li>• MPG provides project management for the entire bid submission process, evaluating financial models to estimate the project's IRR, crafting the bid documents and providing commercial support.</li></ul>



# PPP Legal Framework

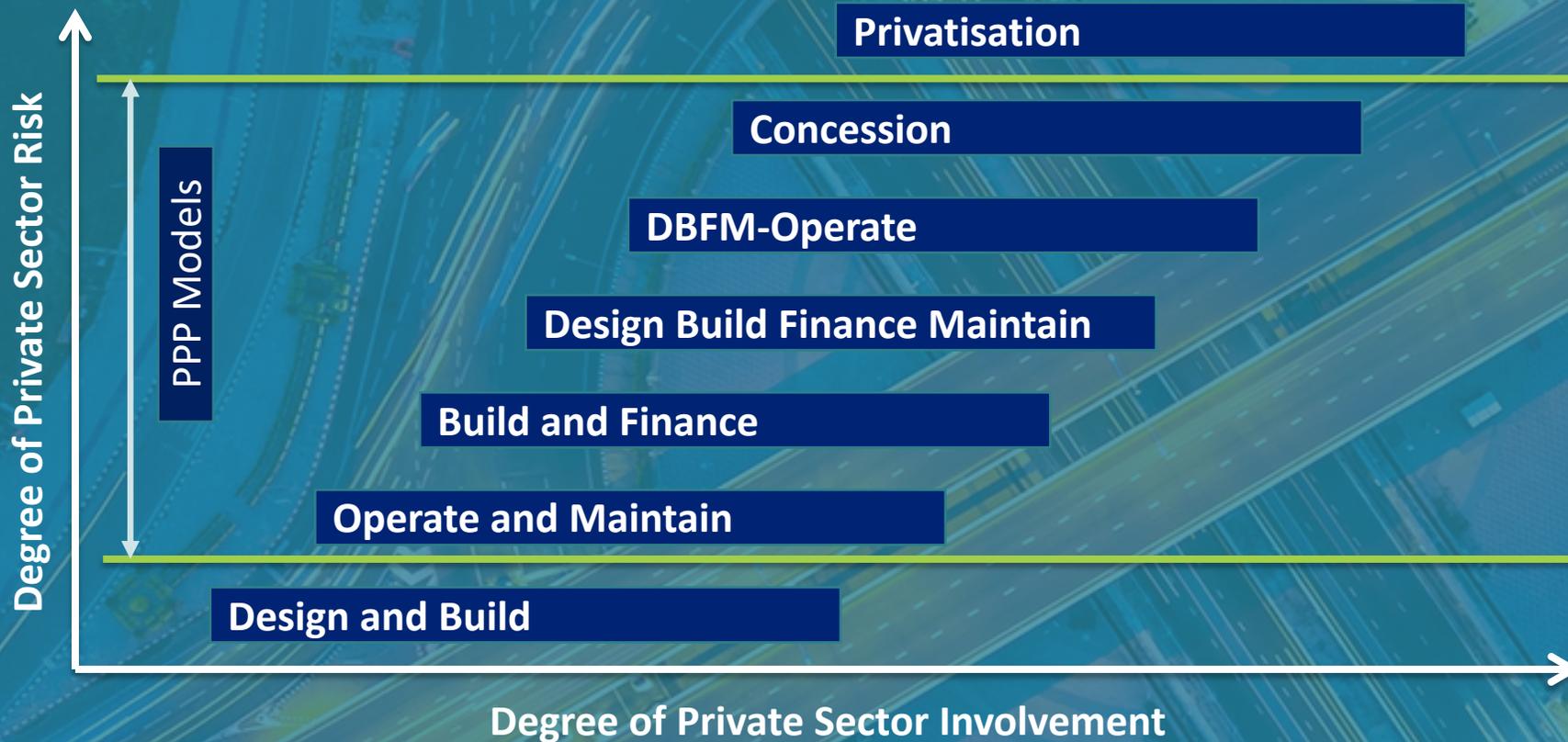


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# Public-Private Partnerships



## Characteristics of PPP Procurement:

- Transfer of risk to private party
- Improve efficiency of service delivery management
- Embedded change and dispute resolution mechanisms
- Availability payment, shadow toll, user-pays risk
- Life-cycle transaction economics
- Transfer of assets to government on termination

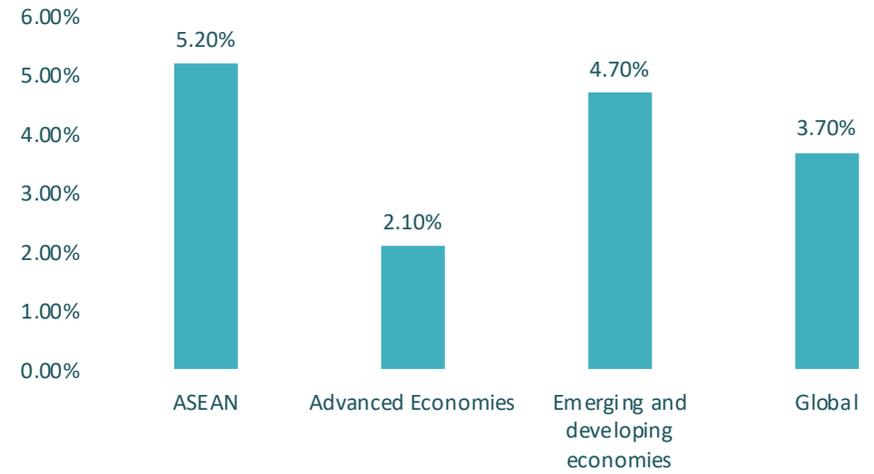


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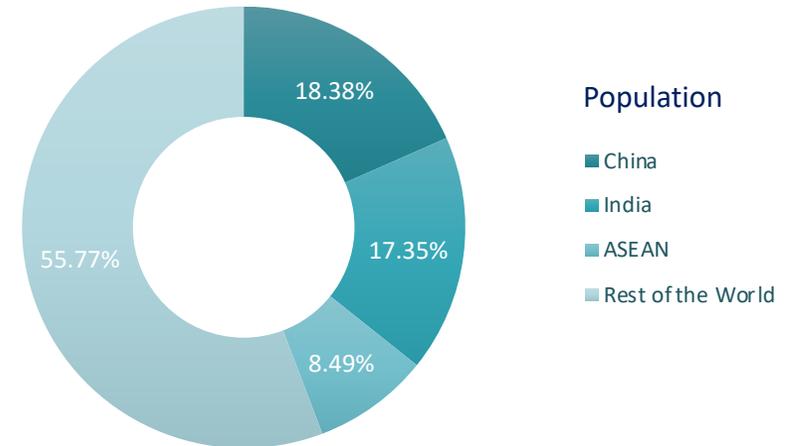
# ASEAN



## GDP Growth



## Population





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# ASEAN PPP Guidelines

Economic Infrastructure Projects	Social Infrastructure Projects
Ports and airports	Education (i.e., schools, universities)
Toll roads, inter-city and urban rail transport	Public housing
Water resources and sewage facilities	Justice (i.e., courts and correctional facilities)
Telecommunications and communications	Public buildings
Energy generation, transmission and distribution	Emergency services
Conference and car-parking facilities	Health services (i.e., hospitals, outpatient services)

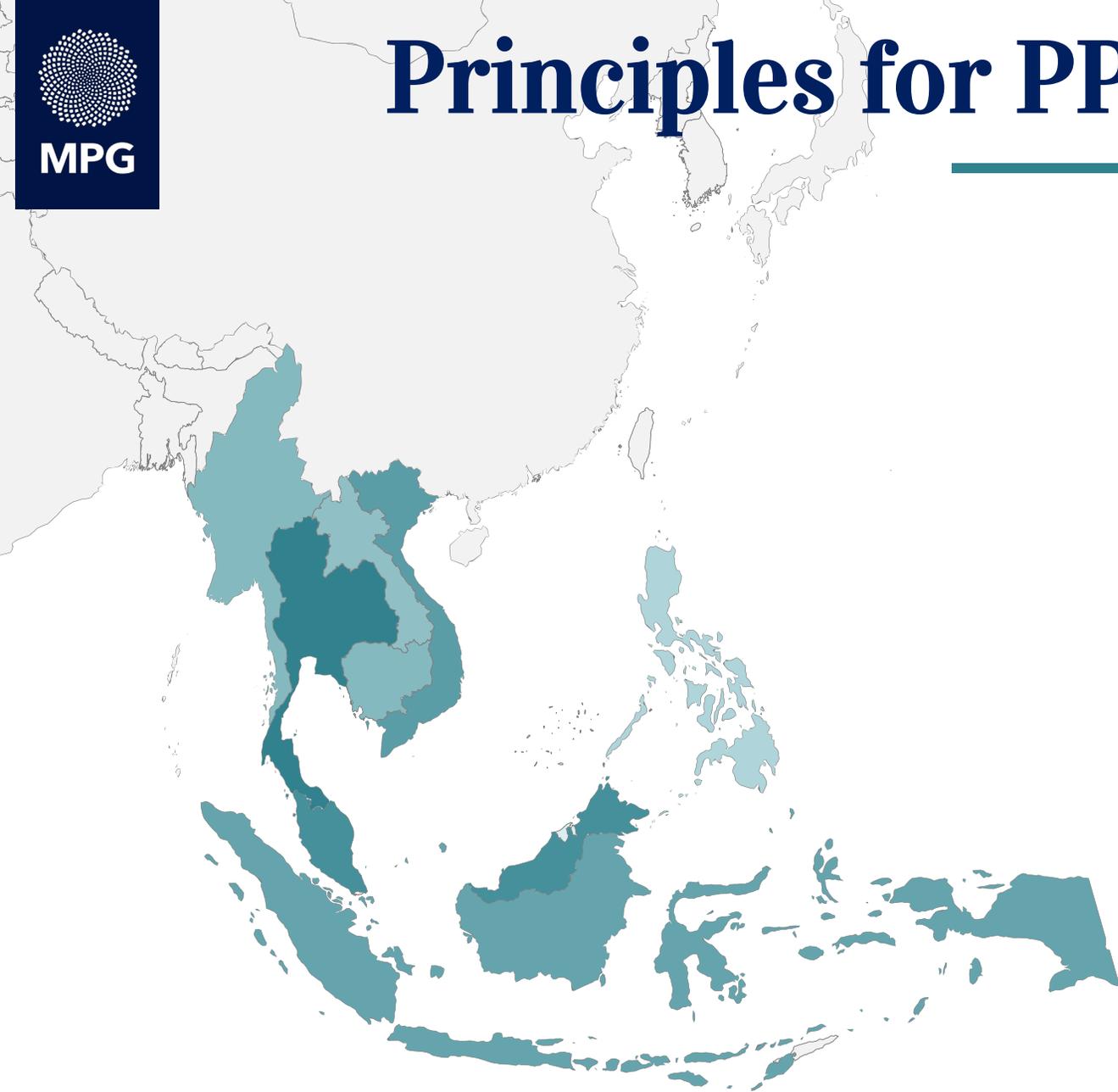
## Characteristics of projects to be delivered as PPPs:

- a. May be delivered under an output specification
- b. Possess economies of scale (minimum size of USD50 million)
- c. Involve a level of technical and/or operational complexity
- d. Offer scope for design and construction innovation and operational technologies
- e. May be privately financed
- f. Would benefit from incentivized private expertise and management
- g. Provide opportunity for significant transfer of risk.

# Principles for PPP Frameworks



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Policy & Organizational Framework



Project Selection & Implementation



Affordability & Transparency



Transnational Infrastructure Connectivity



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# Thailand's PPP Law



## Value for Money

Introduction of a Value for Money (VfM) principle



## Prerequisites

Clear prerequisites for different types of PPP arrangements



## PPP Unit

The establishment of a central PPP unit



## Strategic projects

The creation of a master plan of "Strategic Projects"



## Evaluation

Evaluation of unsolicited proposals for "Strategic Projects"



## Project Development Fund

The creation of a Project Development Fund (PDF)



## Transparency

Transparent procedures to streamline the PPP bidding process



## PPP Fast Track

The implementation of the PPP Fast Track



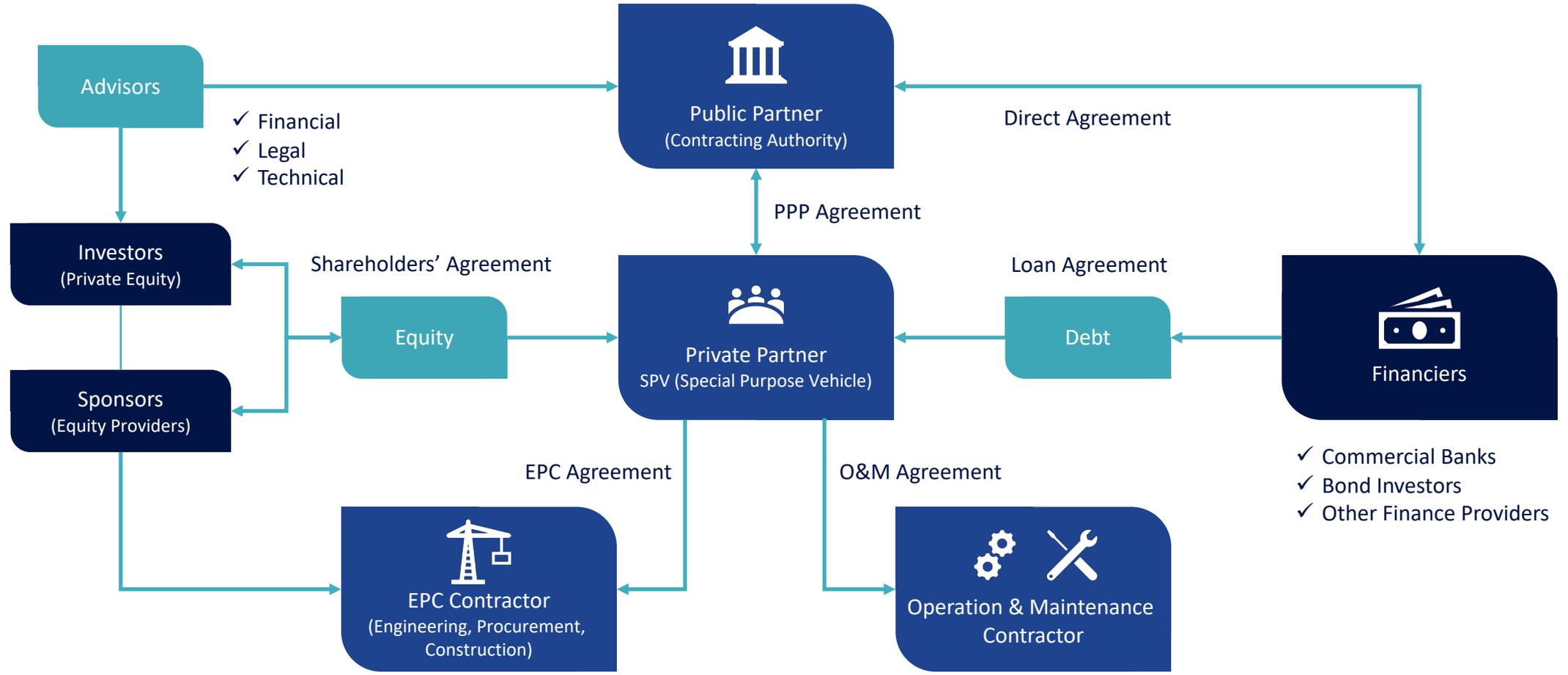
# Financial Structures



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# Common PPP Structure





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# Project Preparation Phase

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The **Options Appraisal** is carried out to establish that all pertinent options have been considered involving all the project's stakeholders: equity investors, sponsors, lenders and public sector at the national, regional and local level. Social cost benefit analysis (SCBA), social cost effectiveness analysis (SCEA) or multi-criteria decision analysis (MCDA) must be conducted and the shortlisted option which offers best value for money over the entire life-cycle of the project must be chosen. Additionally, the analysis should determine that private finance deployed in the PPP arrangement optimizes Value for Money for the government, in comparison with utilizing public capital.



**Commercial Viability** analysis aims at assessing the project feasibility and deliverability for investors, contractors, the government and citizens/end-users. Testing the supplier market and developing the procurement strategy and contractual structure of the project, with a correct risk allocation.



**Long-Term Affordability** analysis aims at ascertaining the expected life-cycle costs, adequate and affordable maintenance funding and financing of the project. Accordingly, the analysis should:

- (i) demonstrate that the project is affordable and cost-effective over its life, factoring in the public funding allocated to the project and allowing contingencies for unexpected occurrences; and
- (ii) distinguish between public sector funding and private-sector funding, including the amounts payable by end-users. Debt sustainability and transparency of project financing will also be taken into consideration.



**Deliverability** analysis aims at demonstrating whether there are arrangements in place to ensure the successful delivery, operation and maintenance of the project, in compliance with current environmental and social safety measures. The analysis is expected to indicate that the project is suitably staffed and resourced over its lifetime, with appropriate governance arrangements, advisers and timetable, so that it can be procured on time and successfully operated as well as monitored.



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# Creditworthiness Analysis

## Character

- ✓ Borrower's Credit History
- ✓ Available Credit
- ✓ Outstanding Debt
- ✓ Delinquent Accounts

## Capacity

- ✓ Cash-Flow Analysis
- ✓ Debt-to-Equity Ratio
- ✓ Unused Lines of Credit
- ✓ Defaults

## Capital

- ✓ Financial Resources
- ✓ Working Capital
- ✓ Net Worth
- ✓ Cash Flows

## Collateral

Unencumbered Assets  
(Real & Financial)



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# Risk Management



## Political

- ✓ Political violence;
- ✓ Expropriation or confiscation of assets;
- ✓ Contract Frustration;
- ✓ Wrongful calling of demand guarantees;
- ✓ Business Interruption;
- ✓ Inconvertibility of FX;
- ✓ Governmental assurances;
- ✓ Stabilization clauses;
- ✓ Bilateral investment treaties (BIT);
- ✓ PRI (MIGA; OPIC; ECA; Lloyd's of London);
- ✓ Lender Support



## Construction

- ✓ Can the project be completed and operated according to the agreed standards and specifications?
- ✓ Can the project be completed on budget?
- ✓ Can the project be completed on schedule?
- ✓ Which party should assume the risk for construction delays, costs overruns and performance shortfalls?



## Operational

- ✓ Engage a competent project operator;
- ✓ Obtain insurance (property damage, third party liability and business interruption insurance);
- ✓ Extensive reporting and inspection;
- ✓ Meeting manufacturers' maintenance specs;
- ✓ Controlling maintenance costs;
- ✓ Reducing down time and associated costs



## Currency

- If the PPP agreement and the loan agreement are denominated in two different currencies, currency volatility must be factored in and hedging mechanisms should be considered to mitigate such risk:
- ✓ Inconvertibility;
  - ✓ Transferability.
- Risk mitigation via:
- ✓ PRI;
  - ✓ Currency swaps;
  - ✓ Offshore reserve account



## Authorizations

- ✓ Environmental permits
  - ✓ Drilling permits
  - ✓ Permit to own property employ expatriate labor or operate the project (FDI)
  - ✓ Approvals to import goods or for outbound fund transfers
- Mitigants:
- ✓ Stabilization clauses (HGA)
  - ✓ Legal opinions
  - ✓ Representations and warranties
  - ✓ Enforceable approvals



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# Advantages & Disadvantages

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Selecting an appropriate contractual arrangement is essential for a PPP project's feasibility and long-term sustainability. As the conditions of different projects can vary widely, a thorough evaluation of a project's requirements and a in-depth risk-benefit analysis dictate the structure to be adopted.

## Advantages

- ✓ Tailored project risk allocation ensures cost-efficient credit enhancement structures
- ✓ Long-term income streams for private sector stakeholders
- ✓ Projects benefit from private sector proficiency and experience
- ✓ Improved quality and shorter timelines to deliver public services
- ✓ Projects tend to be on schedule and within budget, relieving the public of potential, extra expenditures
- ✓ Private funding reduces the public burden, allowing for government spending in other areas.
- ✓ Off-balance sheet financing mitigates the public sector's risk, while generating additional revenue streams

## Disadvantages

- ✓ The delivered facility may be more costly than a public concession one
- ✓ Off-balance sheet financing entails deferred fiscal liabilities for the public sector, which may adversely affect future fiscal indicators.
- ✓ PPP contractual arrangements may require lengthy negotiations and greater funding than traditional public procurement
- ✓ PPP contracts are long-term, complex and precarious due to unforeable, adverse circumstances

# We are passionate about **exceeding** your expectations

Legal Services

Management Consulting

Tax Advisory & Audit

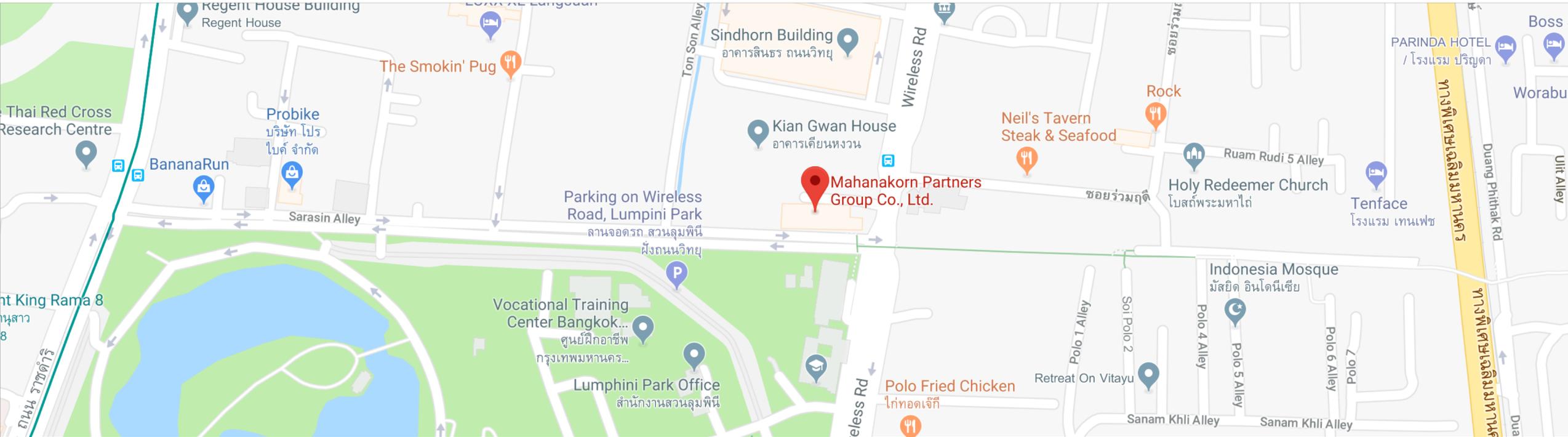
Banking & Finance





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# Thank You!



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