

**Prospect of Public Private Partnerships in Bangladesh**

**By**

**K M Serajul Munir**

**THESIS**

Submitted to

KDI School of Public Policy and Management

in partial fulfillment of the requirement

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2009

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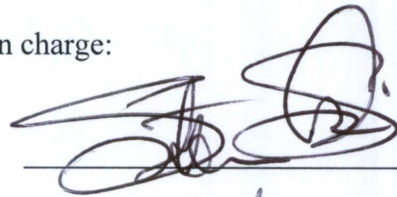
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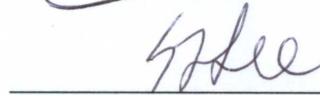
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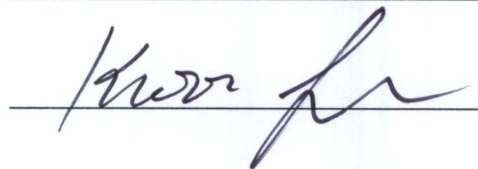
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Professor Lee, Seung-Joo



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Professor Jung, Kwon



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## **Abstract**

### **Prospects of Public Private Partnerships in Bangladesh**

This study is concerned with prospects of Bangladesh's public private partnership situation. Bangladesh needs to take the economy to higher trajectory of growth to come out of poverty vicious cycle.

With the gradual demand for sectoral development, Bangladesh like other developing countries has no other option than to stiff pursue more investment for national development. For this development in national arena PPP plays the vital role with its profit motive. In recent years Bangladesh practically incorporating the concept of PPP to combat the countries growing need.

Bangladesh is the member of LDCs and per capita income is US \$ 621 Government of Bangladesh could not invest enough to augment the economy in large scale. As per the election manifesto of the present government, the growth of GDP has been set 8 percent to be achieved by the year 2013 and 10% by 2017 and needed to sustain till 2021. A country like Bangladesh with more than 160 million people required an investment of US \$ 28 billion as per the preliminary estimates by FY 2013-2014 for robust boost up of the economy.

This study attempted to reveal the drawbacks and existing position of Bangladesh for which the wide area for private sector invest is not attracted to take part with the government. During the study it revealed a lot of factors for attracting the private sector investors. Bangladesh is trying to improve its PPP stipulation appreciably with its liberal invest regime and specialized organizational management.

Regional giant India and other develop countries in Asia debut PPP a long back for their national development. Countries like UK, Netherlands, Greece, Ireland has specialized PPP units and high-income countries like Australia and Canada has public institutions to support PPP development. Bangladesh has huge potentiality and possibility to believe their competency and inclination in designing its PPP related policies. Improved PPP policy can abbreviate the gap of investment in the government sector. Bangladesh has to expand her in various ways to be a conspicuous target for PPP. The government of Bangladesh has been functioning in this regard. In the meantime government can compel alternate ways for PPP and eradicate obstacles in attracting PPP. Government inclination makes Bangladesh an attractive destination for investment in PPP. For the betterment of the people the government should have Political democracy, investment friendly atmosphere and needed to whipping corruption, forming better business forum, introduce easy rules for private sector investment to attract PPP

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## Chapter 1 Introduction

### 1.1 Initial Expressions:

Public Private Partnership (PPP) has become a progressively more favored system of contriving public services and infrastructure by conglomerating the superlative of the public sector and private sector with a weight of Value for Money (VFM) and providing merit-worthy public service in the developed and the developing countries in recent years as compared to other capital investments. It's not difficult to see and observe the success and popularity of the PPP. The potential misery of interest for huge capital investments creates a problem in the budgetary system of the government which affects the economy as a whole. PPP raises a vivid ray of hope for gearing the capital flow to the governmental economic activity, and thus enhancing the development works.

PPP works as a key motivation to economic growth in developing countries through its aptitude to present new assets and infrastructures on time and on budget. Lack of fund, technology, and skills for management draw the attention of the policy makers of all countries and now-a-days especially in LDCs (Least Developed Countries). Bangladesh, as a developing country, endures from a paucity of financial resources as well as technological snags to improve the economy. So, the country needs ample financial and technological shoring up for economic development.

In the 1970s, foreign aid and grants were the main funds for development in countries like Bangladesh. The decreasing trend of foreign grant from 1980s has lead Bangladesh to search for alternative ways of funding and the country has tried to emphasize exports manpower and garments. However the recent recession hampers the economy and its development works. So the policy makers want to increase the trend of development through PPP to overcome the constraints of the budget. The major purpose of opting for PPP are to increase employment,

facilitate the transfer of technology and management, and to raise revenue.

In 1996, the Bangladesh government took over power generation policy to foster private sector participation and in 1997 established IDCOL (Infrastructure Development Company Limited). In 2007 the Ministry of Finance endowed with US \$ 60 million to finance PPP infrastructure projects (Budget 2007-2008, MOF). Bangladesh is a country of 170 million people and per capita income is US\$640 (Budget 2008-2009, MOF) and the investment in PPP shows that inadequate funds exist for growth. So the country has the prospective to magnetize PPP to speed up the development. But the country could not accomplish the expected level of PPP till now. This dissertation studies the probable causes of the unsatisfactory intensity of PPP in the present situation in Bangladesh.

## **1.2 Methodology and Scope of the study:**

PPP is a partnership between private sector and public sector investor or business where the private sector provide finance and service for a defined period of time and this may include planning, design or construction to provide service (Leiringer, 2000). Through the PPP private sector fund, investments are made to enlarge public sector assets, and to create value for the financial system.

PPP gradually has been chosen to a greater extent of funds flowing to the government sector in developing countries like Bangladesh. The capital investments of the private sectors assist the government to cover the projects. PPP is more preferable than borrowing with high interest. In this perspective, PPP has a clear hope for robust equity flow to the government. So government can avoid the burden of repayment of borrowings.

The mass and variety of projects created PPPs are enormously success and this success is often claimed and several reports show that total cost savings of 10-20% over project lifetimes (Statskontoret, 1998). This true assist the government of Bangladesh to avoid unusual expenses

and uses the taxpayers' money in best way and also fulfill the political commitment to the people. Government faces a lot of problem to execute the demand of the new society of this new era. To sustain in the competition of the global context government of Bangladesh has to go ahead and in this viewpoint government have to put into practice PPP.

This paper aims at detection of pros and cons of PPP in Bangladesh milieu and building pertinent suggestions in order to overcome the problem. Different types of PPP (like user-based, accommodation, process plant) and the position of PPP in the world wide (like USA, Australia, Japan and South Korea) also discussed to draw the idea.

The methods of the study include the review of the literature of Public Private Partnership, with a focus on existing orders of PPP in Bangladesh. First researcher examined the international books and articles on PPP, in order to properly review pre-existing studies. The researcher also tried to examine Bengali books and articles, but there were few relevant materials.

Available printed booklets and papers of Ministry of Finance have been analyzed. Data collected from other ministries and institutions have been evaluated. Secondary data were collected from relevant books, research papers, Journals, e-journals, newspapers, and websites.

Theories and models on Public Private Partnership have been studied and data analyzed in the manner to get the answer of the studied questions.

The guiding ethos of analysis was to identify the bottlenecks of the expansion of Public- Private Partnerships in Bangladesh and to detect the probable drawbacks and simultaneously diagnose loopholes to assess the present scenarios in Bangladesh and finally suggest the appropriate solutions. This research will focus on the measures taken by the government of Bangladesh to facilitate PPP and to fulfill the commitment to the society. Bangladesh is a member of the SAARC (South Asian Association of Regional Cooperation) and going to join in the Asian High

Way and is also going to contract with India about transit to India. To fulfill all the demands of these contracts and to join in the development trend of the world, infrastructure development is needed. The government of Bangladesh has a constraint of budget and the government cannot do all the development works with a small amount of allocation and so it is the PPP which can help government to uplift the position for doing the job. So PPP considered with great importance from this point of view.

### **1.3 Research Questions;**

The aim of this paper is to find out the overall position and scenario of PPP in Bangladesh, as well as the obstacles of the implementation. The impacts of PPP are also discussed.

During the research different aspects of PPP have been examined with awareness and significance. The following questions covered the major areas of evaluating the situation of PPP in Bangladesh:

- 1) What are the legal aspects needed for the improvement of PPP?
- 2) What are the significant impacts of PPP in our economy?
- 3) What are the steps can be taken to attract PPP?
- 4) What are the obstacles of PPP?

### **1.4 Limitation of the study:**

Insufficient data used due to unavailability of data in the internet about Bangladesh context. We have Official Secret Act, 1974 still enforce and we will not get the data prior approval of the competent authority. Its need huge time to accumulate data and there after analyze that and not only that, if we get the data that was not in soft form, in maximum time. Huge workload and time constrain created some obstacles to write the thesis with ease and expediency.

### **1.5 Structure of the thesis:**

The dissertation has been set in the following array: Chapter -2 shows the previous opinions

about PPP, Chapter-3 definition of PPP, types of PPP and models of PPP, Chapter-4 Pros and cons of PPP, Chapter-5 impacts of PPP in Bangladesh, Chapter-6 comprise institutional pattern of PPP in Bangladesh, Chapter-7 covers present position of PPP in Bangladesh, Chapter-8 factors that affecting the decision of PPP in Bangladesh, Chapter-9 concentrates on conclusion and findings of the study.

## Chapter 2 Appraisal of Literature

### 2.1 Introduction of the subject:

In the south Asian region, Bangladesh emerges with the expectation of developing an effective system to resolve the problem which hindered its development. For operations and progress it has to overcome hard hurdles. The political systems were unstable and fragile, social services were approximately nonexistent, and the economy was in disarray. These problems needed good governance, and so PPP has turned a part of the exordium in leading Bangladesh.

The role of the government and private sector are expected to be streamlined to establish PPP, which is anticipated to resolve the problems affecting the development and may lead to improvement. The most common element for the government to operate the projects on PPP is to include political accountability, accountability for the uses of public wealth, transparency and incorporation of market principles in operations. The combination of these elements is called “managerialism” by some (Pollitt, 1990) and by others called “New public Management” (Hood, 1991) while “Market based public administration” (Lan and Rosenbloom, 1992) and “Entrepreneurial Government” (Osborne and Gaebler, 1992) are also used.

Since 1971, the emancipation of the state of Bangladesh, the country has been go-getting to achieve progress in a number of areas. Changes of the government and its systems create obstacles of achieving the goals and the lack of continuity effecting the changes. The paradigm shift has been towards PPP and strengthening the system and structure of public sector management with the private sector management through an intensive effort.

The experienced, trained and well educated corps of administration personnel helps the state to manage the affairs and redesign the sound management for the improvement of PPP. Through policy development, execution, and evaluation and balancing the system, the public sector tries

to perform a good role. Civil servants try to make correct decisions by professionalism and de-bureaucratizing the administrative process by changing their attitudes and ensuring accountability.

Private sector initiatives in some areas of the economy are growing slow in Bangladesh, like other postcolonial developing countries, and the government is playing a vital role in the prospective sector. After the independence of the country the abandoned industries were nationalized to handle the war-torn economy and later on some of the nationalized industries were privatized after a huge loss in the government sector. Yet that success has been less due to a lack of commitment and political vision. Now it has required both parties' initiatives to develop an agreement for the economic development by PPP.

As soon as the paradigms of change become attractive, additional attention is required to apply that new concept all over the country. The fundamentals of new concept depend on the position of the development of the country, its political system, and the capability of the economy and also the ability to finance the project. Social position also needs to be considered. In the developing countries, the public sector played a vital role in providing services to the public and the people do not have enough money to buy additional good and service with their own money. So Bangladesh needs to step cautiously to adopt changes and always try to avoid conflicts in the society. Since 2004, the government of Bangladesh has enforced "The Bangladesh Private Sector Infrastructure Guideline (PSIG)" there are very remarkable change is seen.

Bangladesh is motivated to attain progress in a number of areas. Many unscheduled change of the government (like Military rule, Aden trim government) has created the weakness to impede achievement of the goal. The lack of continuity from the continuous changes hampers the progress of the government. In 2009, the present government allocated budget about BDT 2,100



million to implement PPP projects through a rigorous effort. This analysis scrutinizes the measures taken in Bangladesh to establish PPP and the role of PPP in progress. The barriers of the goal of PPP are linked with the traditional system and attitudes and obstacles lie in the lack of initiative to change that position. A number of matters are involved in the process of clear understanding of the problem of PPP and this analysis will help all parties related with PPP to change their attitude to establish PPP in Bangladesh and to attain the growth for development.

## **2.2 Core premise of PPP:**

PPP is an important management tool to overcome the problem of worsening federal building (GAO Report, 2001). Where we found that government can get some benefit from PPP, so the cost of operation is shrinking and the amount of revenue is increasing which helps the economy to improve. PPP can contribute in achieving the success of DOD (Department of Defense)'s objective (GAO Report, 2003). There are lots of factors affecting the accomplishment of DOD, but PPP can play a role to go a far way to get the ultimate goal.

The success of PPP is mixed, as shown by health related data from the WHO for the past 20 years (Barr, 2007). Some efforts have been made to evaluate the effectiveness of PPP and the assorted results drives to some uniformity of the idea. PPP is a balance model where 1) social outcome 2) financial risk and return, 3) managerial involvement, 4) level of agreement is required (Backer, & Patterson, 2005). To ascertain the success of PPP, the government has to assess the outcome of that decision perfectly which depends on the successful decision of the policy makers. If the policymakers fail to make good decisions then the success of PPP is in the question. PPP's performance is growing fast through cooperation and teamwork and the partners needed to avoid financial and situational risks (Domberger, Fernandez, 1999). The government sector and the private sector should evade the involvement of nepotism to get rid of criticism of the work. Due to selection procedure of proper projects and the action of regulations, some of the

PPP projects face problems.

In Slovenia at the construction of a football stadium and a sports center at Ljubljana PPP faced initial problem, of completion the project and also from the legal point of view. However the first successful steps have been initiated in Slovenia. (Bostjan & Petra, 2008). As Slovenia was in communist bloc in the past and after taking steps of developing PPP in different sectors, policy-makers faces problems to implement that. The basis and possibility of PPP between government and the private sector depends on negotiation (Ghere, 2001). The skills of negotiation of the public sector extend capacity building and assist the government to ensure governance. PPP between federal government and the private sector helps the government to acquire and operate federal real estate and facilities efficiently and effectively (Mihm, 1999). The government can get the facilities of management, best practices, and techniques of the private sector to face the challenges of operating the real estate sector. This interaction develops facility for the users of the building in economic way.

PPP between the business and nongovernmental organizations (NGO) in poor countries and also in the Western countries needs more transparency, market diversification, long-term planning and realistic expectations for strengthening the position of partnership (Lewis, 1998). Both the government sector and the private sector should be required to be clear to the people for the agreement and the vision of the parties should be clear to the users. The government has the goal of social development and the private sector has the goal to earn profit, which could create a mixed and potential conflict-oriented environment. Each party needed to be conscious about the environmental perspective and the changes. After considering all the situations both parties should initiate pragmatic projects for the sake of the development of the country. In the developing countries, some of the NGO's (In Bangladesh, BRAC, Nijera Kori) are also working

with the government to continue community development schools.

In a PPP, the private sector builds and there after operates or owns certain properties of the public sector like schools or hospitals (Nisar, 2007). The responsibility of operation goes to the party who operate the assets for a specific period of time. Here the government wants to transfer the risk and the private sectors want their return of investment and return of adopting risks. In these cases efficiency depends on the success of the contract between government and the private sectors. A successful joint venture between government and the private sector requires good communication, openness, effective planning, ethos and direction (Trafford, & Proctor, 2006). The conscientiousness of the parties goes to extend a successful PPP. The government is concern about social development and the private sector is worry about their ultimate gain. Both parties need to come in a point to develop partnerships.

PPP will face serious threat for cultural and institutional differences (Van Ham, & Koppenjan, 2001). The administrative procedure, decision making steps and process of finance in the private sector organizations and the public sector organizations are different and their intentions are also dissimilar. To avoid these type of risks, governmental sector and the private sector needed cooperation and innovation, to escalate the process of development of the economy and the society and overall the country.

When the market is the decision maker then PPP is a successful process to surmount the difficulty (Wattenhall, 2003). The expectation of the general people and their demand for the infrastructural development with facilities and the financial scarcity of the government to accomplish the requirement of the people by supplying own fund to develop those infrastructures; show a tough way to attain the target. The policy maker has some commitment to the people (In Bangladesh the present government committed to the people at the time of election that they will

increase the growth of GDP) and to accomplish that commitment PPP is the best alternative option. The politician is looking towards the interest of the people of some project (A project initiated by the present government to reduce unemployment in Bangladesh) and PPP there plays an imperative role.

### **2.3 Some earlier study about PPP in Bangladesh:**

PPP requires incentives for governmental sectors and private sectors to be sustainable and effective (Azam, & Mansoor, 2004). Motivational factors drive all forces to do the best job in every aspect. For the government, the primary motivation is that assets position will increase and social benefit will be expanded, while for the private sector the motivation lies in getting the opportunity of utilizing capital in productive sectors and also getting the profit of performing the job properly. Both parties thus can benefit from PPP and it amplifies the way of development.

In PPP, a tripartite arrangement results in better accountability and service (Azam, & Mansoor, 2006). The three parties are: 1) Government or public sector 2) Private sector or NGO or any company or firm 3) Facilitating agencies or WB or UN Org or any donating agency. If there will be more monitoring and supervision then the quality of service increases and accountability can be ascertain that where were the fault to carry out best return.

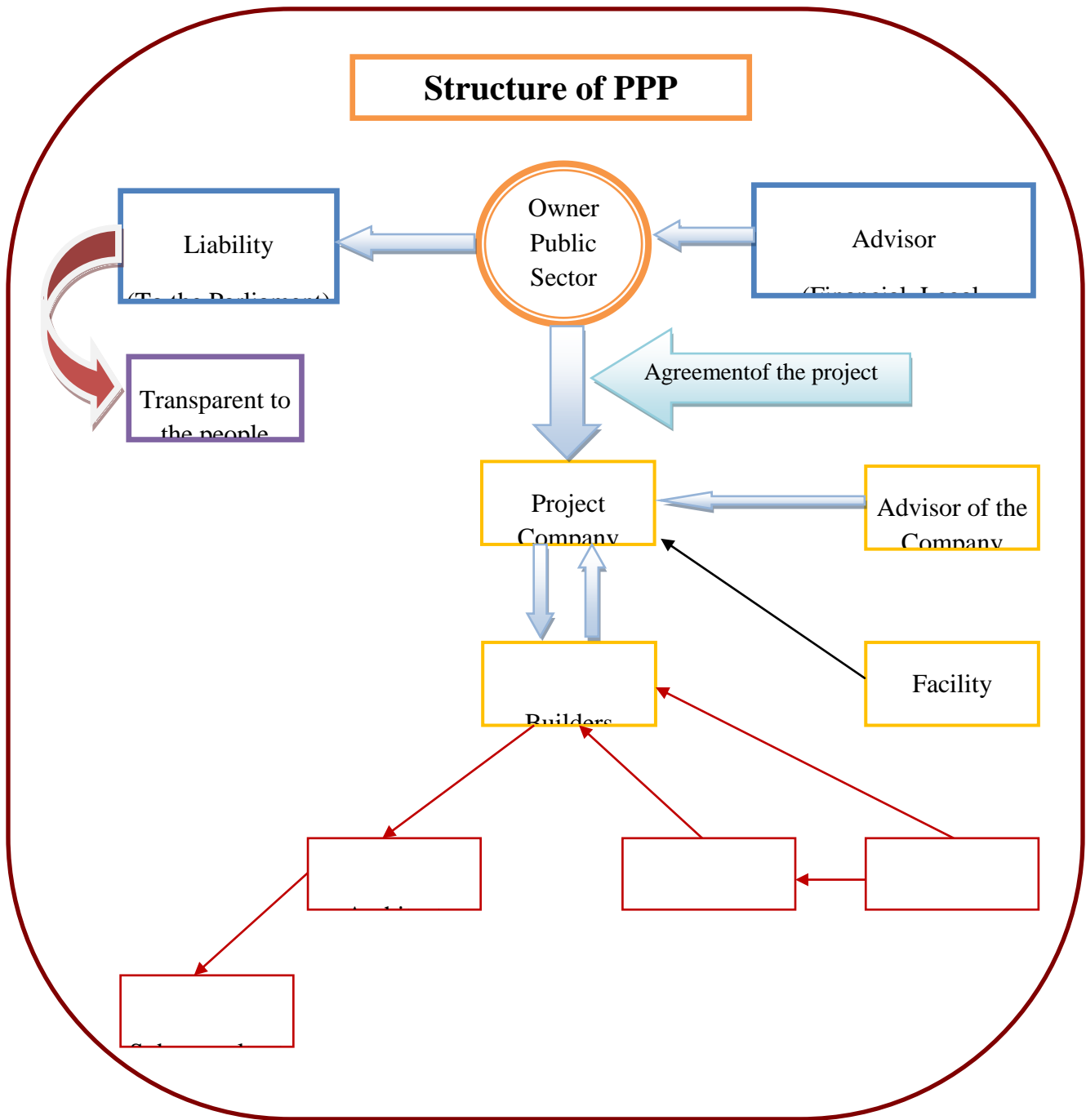
An effective PPP is a sine qua non for the meaningful rural development in Bangladesh (Sarker, 2005). The partnership with GO-NGO (Government Organization and Non Government Organization) can produce or be capable to produce projected results for the society. In this nuclear era the target of the government is high in relation with demand of the people. The depressing performance of the governmental organization in management and providing services and maintenance of properties has faced a lot of questions. Under these circumstances if government transfers their risks and shares the responsibilities with NGOs then there is possibility for reaching the target position of development.

Collaboration between the government sector and non government organization has been proven to be an effective way to improve entrance to excellence (get the pave of extreme example of the matter) of TB control and other health services in Bangladesh (Zafar, Newell, Ahmed, Hyder, & Islam, 2006). TB is an epidemic disease and spread through respiration in the air to everybody. Now-a-days it can be controlled through proper treatment and the consciousness of the people. Here NGO plays a better role than the governmental sector to assist people. NGOs are targeting the people to convey the message to the target group and impose an intensive supervision to implement the job which is more successful. PPP is the midpoint of Corporate Social Responsibility (CSR) agenda for the government (Kovaliov, & Streimikiene, 2008). To accomplish the initiatives of CSR, public sector looked-for the development of PPP in various form.

#### **2.4 Structure of PPP in construction:**

For the purpose of construction, the governmental sector of Bangladesh utilizes PPP to acquire advisors in financial sectors, legal sectors, and design sectors and they provide advice to government. The Panama Hilli Land Port Project of Bangladesh government under BOT (Built-Own-Transfer) contract and projected expenditure is about BDT 180 million is an example in this sector. The government has a liability to parliament. The government must come to an agreement with the project company for construction. The project company has its advisor who provides advice of the viability of the project in the context of profitability. The Project Company has its support manager to assist to complete the construction. The Project Company has two way communications with builders where builders are communicating with subcontractors and also suppliers for the supply of construction materials and equipment also. Builders have the communication with the architect to have a proper design and in sometimes the architectural organization goes for subcontract for the design.

A picture for the structure of the PPP has been presented below:



**Figure: Structure of PPP.**

## **2.5 Conclusion:**

In Bangladesh PPP has the latent prospect to lend a hand to the government for economic development. There are lots of factors which affect the decisions of the PPP. As Bangladesh is a developing country, there are huge obstacles of pleasing and engaging overseas private partners. In some cases PPP face a number of political barrier in Bangladesh. So for introducing and attracting PPP in Bangladesh it is indispensable to identify the drawbacks and take an upper hand to eradicate the problem to ensure economic growth.

It is required to consider governmental commitment, social responsibility, impact on the economy and the potentiality of PPP and its key straitjackets for proper implementation of PPP projects. Bangladesh needs to provide emphasis on the Public Private Partnerships for its development.

## Chapter 3 Defining Public Private Partnership

### 3.1 Definition of PPP:

Public Private Partnerships is a new concept to develop economic activity in a sovereign country. In this perspective various definitions has been reviewed in this chapter from a wide range of sources to have a better understanding of PPP. PPP is a mutual effort of public sector and private sector to achieve common goals with own interest (Pessoa, 2007). In this definition it shows that, PPP shares design, finance, management and technology to operate, execute and perform a task to share risks to earn profit of their own. A project is created with the participation of the both parties. PPP is proficient form of increasing welfare and growth (Pessoa, 2007).

Alternatively, PPP is an arrangement between the government and the private body for profit or not for profit to undertake a public activity (Savas, 2000). The involvements of private sector here indicate outsourcing public services by the private sector. PPP is a complex relationship between government and the private sector to built large, capital intensive and long life public infrastructure like highway, airport, public building, water system or major development project (Savas, 2005).

About 150 years back, in the shape of Grants-in Aid (GIA), the government of India rendered a subvention to private schools as public private partnership from 1882. Still the government is providing subsidy and those proposed schools still need to take care for development. PPP sometimes acted as remedy for the developing countries and the lesson of GIA in India suggest more caution should be needed to implement the policy of PPP (J. Tooley, 2004). In developing countries, PPP could produce a deep change of methods of government involvement with the team spirit of the public sector and private sector (Sadjari, 2004). These partnership increase literacy, generate income, reduce unemployment and ultimately enhance the result with success



(Sadjari, 2004)

According to the UN statements (1995), PPP is the shared ownership with equal responsibility for co-management. UN PPPUE defines PPP as a dialogue between government official and local community-based organization to long-term agreement with private business but not privatization, (UNDP August, 2000). PPP is a policy device to achieve sufficient infrastructure, improving welfare and enhancing efficiency (United Nations, 2002). PPP is a descendant of privatization (Middleton, 2000). Moor and Pierre (1998), Faulkner (1997) and Collin (1998) said that PPP can be considered as a possible substitute of privatization.

According to UNDP, PPP can establish cooperation between public and private sector to bundle financial resource, proficiency and skill to address the need and it's an alternative of privatization and consolidate the advantages of both parties (UNDP, 2002).

According to World Bank, it establishes a partnership group. Partnership group says, Partnerships ranges categorize of development actors as government, private sector, civil society and aid agencies (Partnerships Group, 1998). Partnership provides constant participation to help to continue development projects (World Bank, 2003). ADB express its experience that, by mixing with private management public sector shows its task and rights in the best form (ADB, 2003). OECD expresses their idea about the supply of safe drinking water and sanitation is that PPP can be expected through the private sector contribution when subsidies of the government are being reduced (OECD, 2002).

PPP is a cooperative venture between government sector and the private sector that meets the defined governmental needs through allocation of resources, risks and rewards (Canadian Council for Public Private Partnerships, 1998). Director Norment of the US Council for Public Private Partnership says that PPP is a contractual agreement of public and private sector where

profit is concern for the private sector by sharing risk of public sector for the purpose of delivering services or developing infrastructure (Norment, 2000). This shows that PPP includes outsourcing in the facilitation of governmental service and management. According to the Home Ministry Treasury of UK, PPP brings the public sector and private sector together for reciprocal benefits where it covers wide range of partnerships as 1) Transfer of ownerships of SOE (State Owned Enterprises) by selling major portion or minor portion, 2) PFI (Private Finance Initiative) for transferring responsibility of providing public service by the private sector including maintenance and construction and 3) Agreement for commercial potential of public sector assets in the market ( HM Treasury, 2000).

PPP can contribute to the society and as well as the country in three ways, 1) Increasing economics of scale in services 2) Providing economics of scale 3) opportunities for mutual learning between partners (Bovarid, 2004). The government can call on the private sector for investment, management, technical support for service due to paucity of fund for operations (Chang, Ahmed and Imura, 2003). To develop facilities, PPP involves the private sectors in design, finance, construction, ownership and operation of public sector service (Akintoye, Beck and Hardcastle, 2003).

PPP covers a wide range of partnerships between public sector and private sector in an agreed and cooperative venture (Carroll and Steane, 2000). PPP is a contract where private sector takes responsibility for all or part of the government functions ( Sindane, 2000).In PPP, involvement of beneficiaries can increase an efficient and fair service ( Jutting, 1999).

To synthesize the aforementioned definitions PPP is a contract between the government and the private sector for their own interest to run a project for development. Governmental sector has a need for to accomplish the commitment to the people. The policymaker committed to the people

for doing development and increasing infrastructure of their elected areas. Almost every country is facing budget constrain to complete development works. So the government sector wants fund for to develop new asset. Private sectors have capital for investment and they are searching the new areas for investment. The want of the two sectors are identical in nature i.e. to achieve goal. When these two demand come parallel then it come to a shape of PPP.

PPP is a partnership of cooperation and management about design, finance, construction and operation to achieve value for money. So the definition of PPP can be present by the following picture:

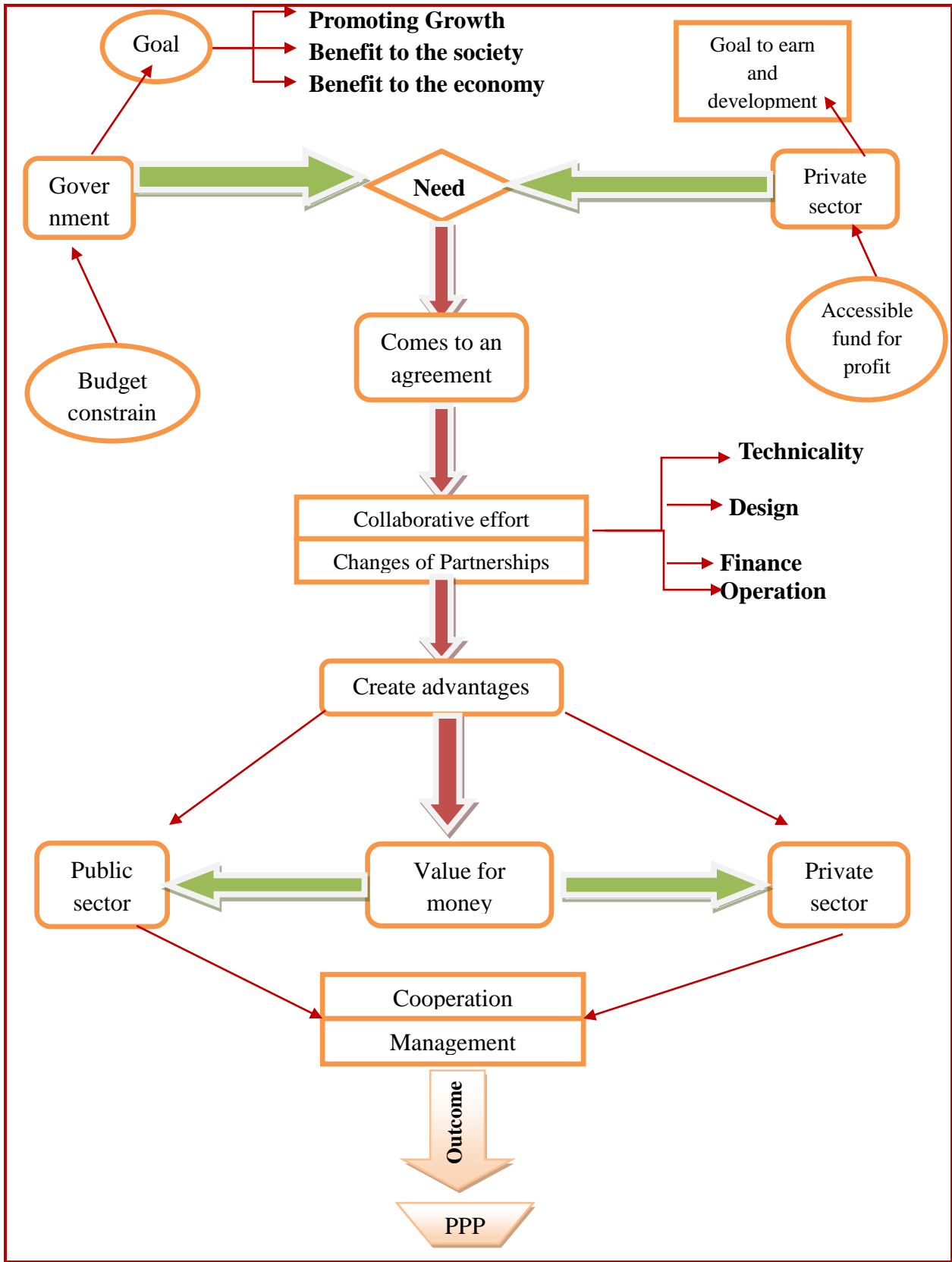


Figure: PPP

### 3.2 Models of PPP

Usually any public construction work or supplies are purchased or obtained from contractors or suppliers following tender and competitive bidding process. These types of purchases are one-time and the contractors or suppliers are not responsible after the construction time or supplies are over.

Different countries are implementing different PPP implementation models. The type of the model depends on the relevant sector (education, health, transportation) and on the type of the project itself. Some of the widely used models are:

**BOO (Built-Own-Operate)** -The private sector manages the infrastructure belonging to this model on build-own-operate basis. Government usually does not manage the infrastructure developed under this model. At present Independent Power Producer (IPP) are operating under BOO model in Bangladesh.

**BOT (Built-Operate-Transfer)** -The private sector manages the infrastructure belonging to this model on build- operate-transfer basis, i.e. the private sector manages it until a specified time, after which the government is responsible for management. This concept was first developed in Turkey. (E. R. Yescombe, 2007),

**BOOT (Built-Own-Operate-Transfer)** - This is an extended version of the BOT model. Under this model the ownership and management belongs to the private sector until a specified time. After expiry of the term, ownership and management is transferred to the government.

**BTO (Built-Transfer-Operate)** - This is a short step from BOT. Under this model the ownership is transferred to the public authority on completion of the construction. The terms and conditions depend on the contract.

**DBFO (Design-Built-Finance-Operate):** Under this contract legal ownership of the facility

remains to the public authority. Private sectors get the right to operate the facility and receive the revenue from the users of the facility.

In developing countries, private sectors use these types of model and deliver service to the consumer on behalf of the public sector.

There are more models besides the ones mentioned above. For example, education institutions can be co-financed and privately managed. The private sector can also take responsibility of providing health care in a certain area as well as responsibility of all public health care providers in that area. The main idea behind these models is to outsource the management to the private sector

### **3.3 Some alternative models of PPP:**

#### **Introduction:**

Public authority can build one or more of the PPP contracts separately instead of one bundle within the PPP contract. PPP contracts can be contract of finance, construction, operations, subcontract, risk transfer, debt finance, equity investment etc. Funding can be done separately for the PPP contract and also maintenance service can also be done independently.

#### **3.3.1 Public sector procurement:**

By avoiding some hitch of cost and difficulties in flexibility, public sector procurement may be achieving the main benefits of PPP. It takes the advantage of inherent benefits of PPP. In this case funding will be wholly provided by the public sector with the disadvantages of budget.

The modes of this type procurement may be like:

##### *3.3.1.1 Design-Built- Operate (DBO):*

The design and building contract (D&B) and Engineering , Procurement and Construction (EPC) contract used for fixed infrastructure such as accommodation or roads where the contractor has responsibility for both the detailed design of the facility and as well as its construction and there

is no room for later dispute of any problem caused by bad design or construction. Private sector investors like to spend more on the initial capital which will save the maintenance cost where as the public sector procurement approach is to go for the lowest initial cost capital. In these cases PPP contracts is finance driven rather than contractor driven. So building construction and long term services together is weaker in relation which also makes weaker the whole life approach. An orderly arrangement of D&B and EPC of a PPP structure lose the benefit of whole life approach.

Under DBO contract public authority can pay for the both in construction and maintenance to the private sector in the lower cost and with greater long term flexibility and clear terms of penalties can be incorporated in the contract. It will reduce the risk and long term cost of maintenance.

#### *3.3.1.2 Public-Public Partnership:*

In this approach contracting private company manage the subcontractor for construction and maintenance and funding guaranteed by the public authority. Here is less risk of capital for structure for the public authority.

#### **3.3.2 Take-out after construction:**

Here the construction risks goes to the private sector and the public sector take the responsibility of the whole project or for its debt. This creates finance lease facility to the public sector. Here at the construction period public sector may can relief from the budgetary problem.

#### *3.3.2.1 Design-Build-Guarantee-Operate:*

This is like DBO approach and here is one more thing is that commercial banks or other private sector financial institutions guarantee the construction fund provided by the public authority. It's a back at the highest type of risk.

#### *3.3.2.2 Take out the construction providing fund:*

Here the public sector repaid the private sector after the construction is completed. The public

authority takes over the responsibility for the debt and pays it off over the terms of PPP contract and the risk after completion goes to the public sector.

### **3.3.3 Public sector debt funding:**

To keep PPP out of public budget and aimed to debt funding in less cost this type of approach can be used. This can be done;

#### *3.3.3.1 Lending from private sector bank and insurance company:*

In this case government lends to the project company or the private sector lender at near to government bond cost. The debt is guaranteed by the private sector commercial banks or the insurance company. So the risk remains to the private sector investors as per PPP but funded by the government.

#### *3.3.3.2 Public sector development fund:*

Commercial banks prefer to short term landing rather than 25 years loan to the PPP project. Here is an assumption that lender will not suffer a loss if things going wrong and public authority assure that.

#### *3.3.3.3 International Financing Agencies:*

WB, IFC, ADB, IDB, EBRD, IADB, EIB are providing development fund by international treaties for infrastructural development. So the borrowing government can take step for them to deal with PPPs.

### **3.3.4 Joint venture PPPs:**

In this case Project Company can jointly own by the public sector and private parties. Joint venture PPPs reduce bonus profit of the private sector and have the better access to information. These types of PPPs reduce the risk of unexpected increase of value. In this type of contract public sector should with considerable care about wrong decision.



### **3.3.5 Nonprofit structures:**

To avoid the political unacceptability there are some nonprofit structure constructed under PPP contract. Such PPPs ensure the financial bonus and also add to the public sector.

### **3.4 Types of PPP:**

#### **Introduction:**

PPP based on the nature of service and risk transfer in the PPP contract can be categorized into two main divisions as I) Usages Based and II) Availability based. Later on Usage-based can be sub-divided into four categories as I) Accommodation II) Equipment III) Networks and IV) Process Plant.

#### **3.4.1 Usage-based:**

This is a widely used PPP model. Here risk is transferred to the private sector. In this concept the user paid tolls, fares or usages fees for the facility. Roads, bridges, tunnels, ports, airports, trams, rail networks are the examples of this type of PPP. We can also found two ideas (Yescombe; 2007) of this kind of PPP as: 1) users paid the tolls or fares for using the facilities by his own and 2) users paid the fares or tolls but with subsidies from the Government. For example, users are paying less amount of money for using the facilities which indicates that the service provider is getting extra funds from the government for usage by the inhabitant of the community where government committed to provide service at a lower price.

#### **3.4.2 Accommodation:**

In the social infrastructure field, some buildings are made for use by the Public Authority under PPP as hospitals, schools and prisons. Here the private sectors also involved in service and maintenance as well as construction of buildings (Jaques, 1995).

#### **3.4.3 Equipment, Networks:**

Equipment or networks-based PPP is not widely used and not common. The form of payment in

these sectors of PPP is usually, by the Public Authority, and dependent on availability. Availability depends on the basis of uses. As examples, if any traffic lane is closed then the ability to move the traffic barrier from the road in shortest possible time, the rate of clearing the spillage from the road, the velocity of signaling the train, system of street lighting, IT in defense equipment etc.

#### **3.4.4 Process Plant:**

This type of PPP projects is generated from the BOT model. This type of PPP depends on the ability to produce end-product rather than actual volume processed or produced. Here the Public Authority pays for the ability of a capacity to process. If the plant cannot fulfill the requirement, payments will not be made. In these projects ability is one of the main criteria to continue the partnerships. Power Generation, Waste Management, Waste water treatment plant, Water treatment plant, Power Distribution are the examples of these types of PPP.

#### **3.4.5 Availability Based:**

This type of PPP depends on the ability to deliver assets and providing or supporting facilities or equipments and ongoing availability in line with the requirements. The private sector should undertake whatever is necessary to ensure the requirements.

This indicates that the risk associated with owning and /or operating the assets are transferred to the private sector from the public sector. It also gives an incentive to the private sector to minimize costs while maintaining sufficient resources to meet the public sector's requirements.

#### **3.5 Conclusion:**

It is argued that PPP contractual structures are too rigid for dealing with long term construction of public infrastructure. For that, the private sector investor requires flexible regulatory options. Under such a position, long term service standards and investment return can be controlled by independent regulation rather than through a set contract. So the regulation has the advantages of

eliminating windfalls by covering total investment return and it also allows the change of capital expenditure, operating expenditure and capital structure over time.

## Chapter 4 Pros and Cons of PPP

### 4.1 Introduction:

In the whole world over the last few years interest in PPPs has grown upward. The theoretical background of PPP comes from the movement of NPM (New Public Management). It creates a huge debate about the advantages and disadvantages of the PPP. A lot of arguments are used by the governments for promoting PPP projects due to budgetary reasons. The arguments in favor and against of PPP has been discussed in the following for public sector, private sector and for the users of the facilities

### 4.2 Pros of PPP:

Government and the private sectors are getting advantages by implementing PPP and at the same time the users or the beneficiaries of the PPP projects also get assistances. Some benefits are instant and also some are in the long run by implementing the projects. Three parties have their own separate mission and they try to reach their goal by their performances. The blessings of each party are discussed below:

#### I) Benefits for Government:

**Budgetary Benefit:** A PPP allows the public sector not to charge the cost immediately against the public budget and spread the facility over its life time. This cost is then paid by the users rather than taken from the tax payers' money.

**Accounting benefit:** PPPs often shows "off balance sheet" treatment in the private sector accounting, but in the public sector there is no balance sheet like the private sector. PPP in public sector accounting do not show as public sector borrowing, nor does their original capital cost show up as expenditure in public budget. However service fees are a future annual cost and have a budgetary effect.

**Increase economic strength:** As soon as the private sector is investing in the government sector for infrastructure development, then the government does not need to provide extra funds for capital investment. To accumulate extra funds the government would have had to borrow the funds. When government borrows the extra fund for development, then government has to pay interest of loan and also have to repay installments. All the money goes out of government pocket, which increases the money supply in the market which may cause inflation. Through PPP, this trend of inflation can be managed.

**Transfer of Risks:** The public sector can spread out risks better than the private sector. Real cost of public sector funding is low then the private sector. The risk is lower for the public sector in comparison to the private sector but the government cannot spread the risk to others as the private sectors can do.

**Gains by learning:** To earn profit and have the best use of available resources the private sector follows the cost-effective approach. They also try to use modern technologies in planned manner with innovative thinking. The government sector can learn all these tactics for their development.

**Economics of scale:** As PPP allows investment to accelerate public infrastructure, a project which might otherwise have been procured by the public sector in smaller parts can be procured whole. This results in cost savings and in some cases speed up constructions.

**Help in price control:** At the time of implementing the project, private sectors are performing the task of design, finance, construction, maintenance and management. To synchronize all the tasks they maintain proper estimation. By following their logical approaches, government sectors can estimate the whole life cost of the infrastructures which helps the government to control the cost.

**Additional benefits:** The initial investment in PPP for infrastructure does not invested from the

public budget. Private sectors initially provided fund for the construction of infrastructures under PPP projects. This creates additional benefit of use of revenue budget for the government.

**Accomplish preferred growth:** If the government is not able to invest properly to develop infrastructure, then it will be tough for the government to attain the growth. Additional investment could of the private sector increase productivity which increases economic growth.

**Whole life costing and maintenance:** Some investors will be responsible both for construction of the facility and as well as operations and service. This save the whole life cost for the public sector.

## **II) Benefits for the Private Sectors:**

PPP also bring benefit for the private sectors. Private sectors have their funds for investment. Private sectors then need to invest their funds in proper field of investment to get return. Government sectors are the new area for the private sectors for investment and to achieve the goal. PPP also provides advantages to the private sectors in the following ways:

**Selection of Project:** Service fees are dependent on demand. The private sector has an incentive only to back good projects and avoid ‘white elephants’. Private sector can avoid the projects which have extra expenses to complete the projects.

**Project Management:** The private sector has greater expertise in managing a complex projects in some areas. There is no problem of on time and budget constraints. PPP projects can be managed by the private sector without private-sector finance.

**Spreading out Business:** Private sectors are getting chance to extend their business in new area. Before PPP, only the governmental sector can only invest in their areas. This shows the growth of the private sector business.

**Responsibility:** The contract with responsibility of construction and operation eliminate the crossing point problem, where each contractor blames the other.

**Efficiency:** It always said that the private sector is more competent than public sector due to profit motive.

**Innovation approach:** At the time of private sector bids, the public sector usually specifies outputs rather than inputs. Then private sector bidders come up with variety of different solutions which gives the opportunity for innovative solutions to arise.

### **III) Benefits for the beneficiaries or users:**

If the public sectors are unable to provide fund for facilities for the users then those users are deprived of some services. PPP open the avenues to have the advantages to get benefits. Some more benefits are:

**Enhanced service:** If the government is not able to cover the project of increasing social service, then through PPP that purpose can solve and people can get that service in exchange for user fees. So the users are getting benefits through PPP.

**Answerable for service:** Through PPP, the private sector is offering a service to the people and for poor service they are liable to the contracting authority i.e. the government and the government is liable to the parliament i.e. the people. So the benefit goes to the beneficiaries of that project.

**Government for the people:** At the time of approving the project under PPP, the government is required to prioritize the essentiality of that work for the society. If the government selects the wrong one, then the government needs to explain and also government has to look after the service of the private sectors.

**Assurance of protection:** As per the contract of the PPP the private sector is liable for the damage of properties and lives. So the properties and lives are insured by the private sector and for that reason user of that project area are benefited.

**Assurance of good materials for constructions:** The fame and goodwill of the private sector rely on the proper completion of the project and the life of the constructions. So at the time of using the materials the contractors are going to use the quality goods for constructions.

#### **4.3 Cons of PPP:**

A number of people argue that there are negative outcomes associated with the private provision of public services:

- 1) PPPs will lead to the privatization and thus will reduce the government's control over a public service.
- 2) Increasing variation of choices may increase socioeconomic segregation which leads further improving of outcomes.
- 3) PPPs will lead to poorer being left behind that lose the support of government.
- 4) Probability of losing the rights and title of the assets of the government and ultimate loser will be the people of the state (MOF, 2007)
- 5) Some time PPP projects are approved in exaggerated price which brings loss to the community.
- 6) Several times the service fees charged for the use of the facilities are high which are not affordable for common people.
- 7) When the private sector handed over the infrastructure after BOT contract to the government, in various times the condition of the infrastructure is impaired.

#### **8) Private Obstacles:**

Lack of apprehension of political action and public administration concoct complexity for the private parties. They often found government as a hierarchical organization. In addition, private parties are not always equipped to operate adequately in the public turmoil. Furthermore, partnerships are not particularly concerned about national borders and are not mostly eager to



penetrate into local or national partnerships. (Hans van Ham, Joop Koppenjan, 2006).

9) The public authority remains directly politically accountable for PPP provided service.

10) People of the country are not very much conscious about PPP based service provided by the private sector rather than public sector.

11) In a PPP scope and cost of services is fixed by the contract between the public and private authority.

12) PPPs do not show up as public borrowing in the public accounting and also not as cost of capital which may have an eventual effect. In some cases of PPP, payment are so rapid which led to a significant effect on the public budget.

#### **4.4 Politics related to PPP:**

There has been huge political debate about the service nature of PPPs. If the public sector does not wish to clearly and fairly clarify the public sector side and does not have strong political will for the success of the project, the PPP will struggle. PPP may still be conceived and treated as privatization which creates the reasons for political opposition.

Sometimes it is said that PPP gives an opportunity to private sector to earn profit which can be provided by the public sector more cost-effectively. In Bangladesh Meghnaghat 45 MW Power Plant was contracted under BOO model by expending BDT 21,000 million. Some people of opposition argued that government own self can built the plant and can operate which may can save large amount of money in future. In this case if it is consider the capacity of budget to undertake the project, then we can come to a solution of a choice between PPP and public investment. If the rate of return on investment and the cost of capital with cost of debt financing and the return to equity holders are also considered, then the political argument will be weakened and the PPP choice will be stronger.

It may be argued that the social safety net should not be ensured for the sake of profit by the

private sector. PPP is under close supervision of the public sector and it is stated clearly in the contract. It is sure that the public sector has much greater ability of safety than private sector. In that case the government sector can assist the private sector to ensure safety and also can state details in the contract.

Sometimes PPPs face political opposition due to transparency. Public authority must always shows the cost savings and it is not compared with similar projects which may indicate that PPP may be used to promote short term political advantages.

#### **4.5 Conclusion:**

In case of PPP, for the private it remains a free choice. The private sectors has the choice is actually between PPP and no project. This issue then turns whether the PPP is cost effective or not. It is also argued from the microeconomics point of view that if public investment is increased in the economy by PPP then private investment will decrease and so that the result will be the same in the economy.

PPPs should be seen as part of the overall context of the public sector reform movement which spreads responsibility for the purchasing the public service, output or performance based measurements for public service, and by decentralization contracting out the public service to the private sector. (E. R. Yescombe, 2007).

## **Chapter 5 Impact of PPP in Bangladesh**

### **5.1 Introduction:**

It is expected that through PPP new dimensions of business will arise which could generate more job opportunities in Bangladesh and reduce unemployment. So the poverty level of the country will reduce and increase the GDP of Bangladesh. PPP breed the flow of investment which increase the economic activity. Partnership of technology, design and finance helps to transfer ideas between the sectors which help to meet the challenges of new era. The development of infrastructure through PPP attracts FDI to any developing countries resembling Bangladesh.

According to the estimate of the Ministry of Finance of the Government of Bangladesh, it is suggested that to sustain Bangladesh will require 8% growth rate in 2013. It will require an additional US\$ 28 billion or BDT 1.96 trillion from 2009 to 2014. PPP has the opportunity to mobilize these additional resources internally.

The World Bank approved US\$ 50 million to Investment Promotion and Financing Facility (IPFF) projects for financing the private sector for infrastructure development under PPP (The Daily Star, July 2008). WB is providing some fund to develop PPP in LDCs allied to Bangladesh. Reviewing the impacts of PPP in fields of employment creation, management and technical support and poverty reduction will provide an answer to the second research question and will determine the present position of PPP is adequate to attain projected economic change in Bangladesh.

### **5.2 Employment Generation:**

When there are some economic activity to attain development there are the scope to create the opportunity of employment. If the assets have a long term effect in the economy and need to maintain for a long period of time then the ratio of generating employment is high. We can

ascertain from the following figure how Public Private Partnerships helps to increase employment:

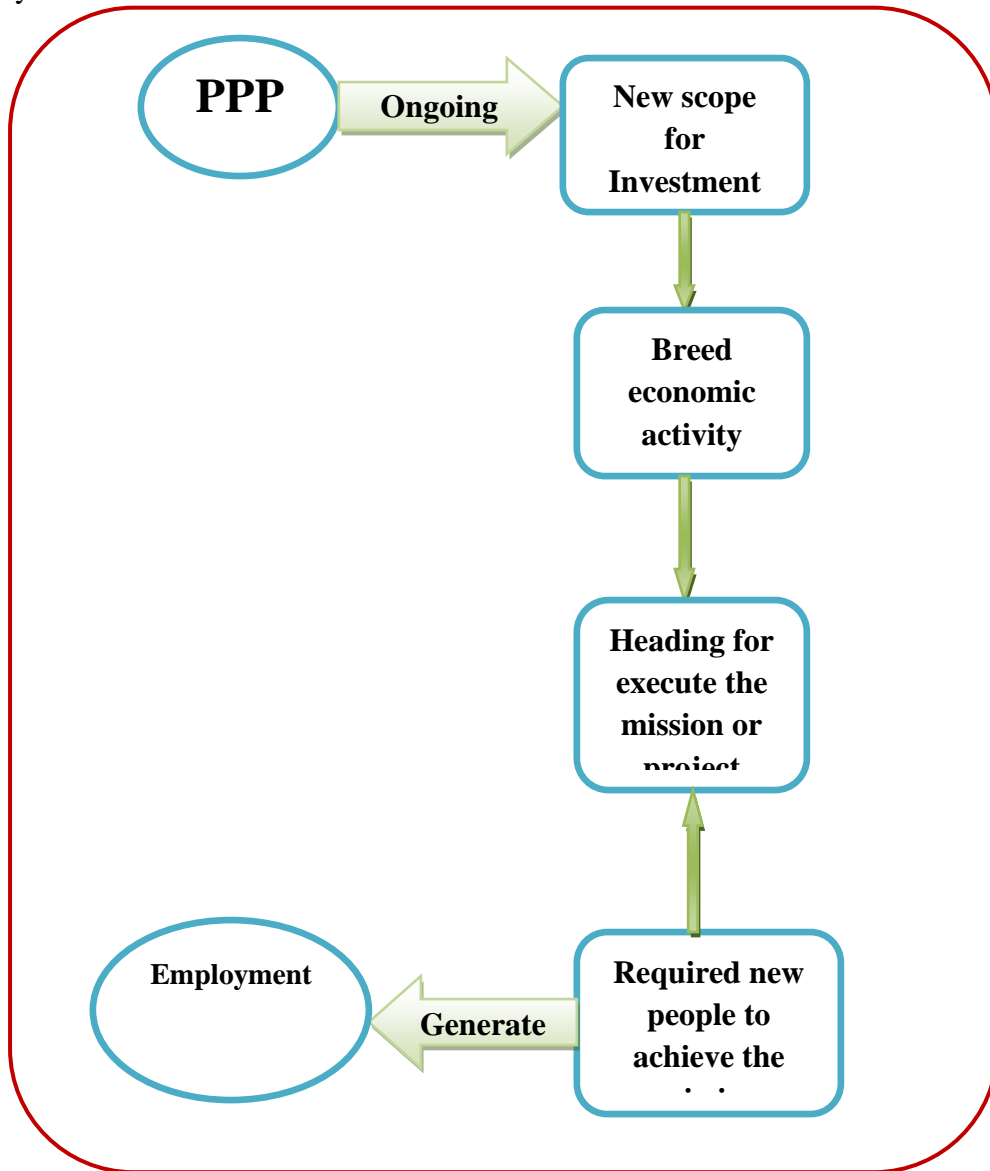


Figure: Employment generation by PPP.

The opportunity of employment arises in the labor sector and also in technical, management and professional sector. Bangladesh has a lot of unemployed unskilled labor who are getting opportunity for employment by the new economic movement like PPP. To accelerate the lessening of unemployment it is desired to augment the economic activity. So it is crucial to promote PPP to enhance employment.

### **5.3 Supports from FDI:**

When the country will extend its hand for PPP and the FDI investor will get the opportunity to invest in public sector, they will enter with foreign capital to invest in Bangladesh. During 2001 to 2005 total FDI investments in Bangladesh were US\$ 2.185 billion and the investors were repatriated US\$ 2.744 billion (Supro, 2007) which shows that the investors took back more than 126% of their total investment. So the government of Bangladesh encourages FDI to their country and the prospect of PPP will unlock the new domain of investment.

Investors from foreign countries require the safety measures of their investment and if they found that the government is their partner they may feel secure to invest. The support from World Bank also added value in Bangladesh to lengthen PPP. Now it is the time for the government of Bangladesh to think about the prospects of PPP.

### **5.4 Technological Improvement:**

Developed countries are technologically advanced. The position of technology in developing countries is often far away from that. PPP may be able to be one of the vital ways to fill up the gap between these positions. Bangladesh initiated PPPs, but to date we found little evidence of contribution in technology to development the economy. Still Bangladesh doesn't have any remarkable advanced technological PPP project. This may occur due to the interactions of the investors, sector composition of PPP, policy priority of the country and low adoptability of newness. The lack of embedding of technology in the economy makes the country weaker to face the advancement of the new world to compete the competitions and challenges. To make the people more skilled and efficient we need technological progression and then we will be able to produce skilled manpower in the world and PPP is showing the ray of some hopes to adopt technology.

### 5.5 Poverty mitigation:

Public investment in Bangladesh decline from 5 percent of GDP in the year 2008 to 4.6 percent in FY 2009 (ADB, 2009). PPP has an inverse relationship with poverty. Investment climate is a motivating force behind the growth of an economy which helps to eradicate poverty. I-PRSP (Interim Poverty Reduction Strategic Paper) of Bangladesh marked an important milestone in the process of policy ownership of renewing national goal (IMF, 2005).

To reduce one percent of poverty in Bangladesh it requires to increase 13 percent investment (Bhattacharya, Carvalho & Hersel; 2005) in different sectors. So to reduce the situation of poverty it is looked-for to amplify PPP. We can see the following picture how PPP reduces poverty:

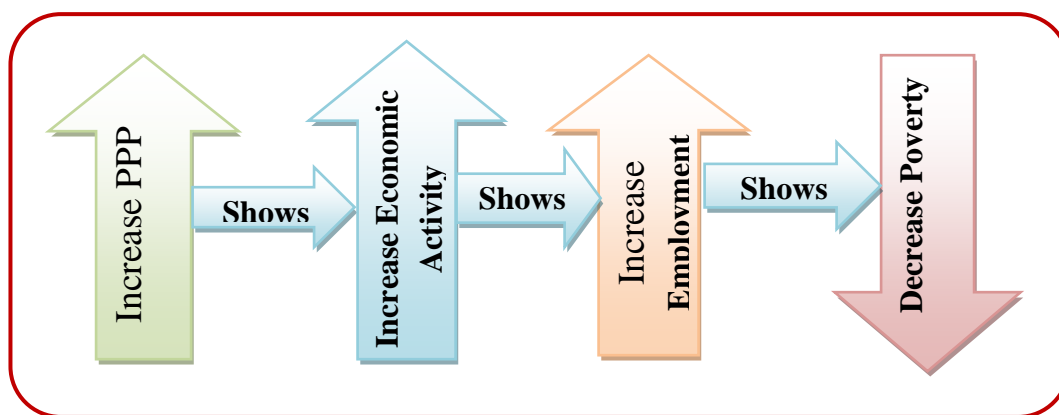


Figure: PPP and Poverty.

If the labor force of country adopted technology then the reduction of poverty may be able to success (UNCTAD, 2007). In Bangladesh PPP accelerate GO-NGO partnerships which swell communal development and through that it helps to shrink poverty.

### 5.6 Conclusion:

This chapter imputes to the question “What are the significant impacts of PPP in our economy?” of the introduction. The discussion and analysis unveils the answer to the question that PPP will have a considerable blow to the technological progress in Bangladesh. PPP primarily increase the

employment of unskilled labor in infrastructure but its ongoing process will turn the unskilled labor to skilled one in the country. An analysis of estimation of reduction of poverty in Bangladesh indicates to increase investment by thirteen percent indicates that PPP desires to encourage. Government is giving a lot of facilities to the FDI investors in Bangladesh and still it is not fulfill the required target of the government. So the only easy avenue is open to the government is to encourage private investors to invest with government. This may bring success to the government to achieve the goal.

## Chapter 6 Existing Institutional Pattern of PPP in Bangladesh

### 6.1 Introduction:

This chapter begins with “What are the legal aspects needed for the improvement of PPP?” first research question of this analysis and also covers the institutional patterns and existing scenario of PPP in Bangladesh. Bangladesh has some focal advantages to build up Public Private Partnerships. These are:

- i) Labor cost is low
- ii) Large market for expansion
- iii) Assistance from the government
- iv) Assistance from International Agencies
- v) Easy availability of labor
- vi) Favorable FDI policies
- vii) Assistance from the central bank
- viii) Huge market coverage of about 170 million people
- ix) Probability of market accessibility of 3 billion people of Asian region
- x) Easy with the countries developing partners (like WB, ADB, IDB, Assisting Countries and Aiding Countries).

According to the UNDP study report in 1999 per capita GDP in PPP in Bangladesh is US\$ 1,483 and the country's rank is 132 in world's ranking. The World Bank in “Bangladesh 2020: A long run perspective study” acknowledged that Bangladesh needed to reduce poverty, raise the GDP growth rate by 7% to 8%, create employment, take the measures for environmental protections, progress in health care, get better in literacy and product diversification for its improvement ( WB, 1998). The resource gap from the government side and the requirement for the



development drives the government to extend the hand for PPP. **6.2 Existing Policies of the Government to smooth the progress of PPP:**

Bangladesh Private Sector Infrastructure Guideline was published in October 5, 2004 in the Bangladesh as a gadget for the government to promote PPP. It has as the following purposes:

- ✓ Identify Private Infrastructure Projects within the government.
- ✓ Set a guideline for government and private investors.
- ✓ Monitor and implement projects at national level

In 1997 under the control of Economic Resource Division of Ministry of Planning government of Bangladesh established Infrastructure Development Company (IDCOL) and Infrastructure Investment Facilitation Center (IIFC).

### **6.2.1 Infrastructure Development Company Limited (IDCOL):**

IDCOL was constituted on 1997, May 14 by the Government of Bangladesh (GOB) (Ministry of Finance, Bangladesh, 2007). Bangladesh Bank (BB) offered license to the company as a Non-Bank Financial Institution (NBFI) on 1998, January 05. IDCOL is acting in a vital role to reduce the financing gap for large-scale infrastructure and energy projects in Bangladesh. Now the activity of the company turned it to become a market leader in Bangladesh in private sector infrastructure and energy financing. IDCOL has an eight-member Board of Directors, consisting of four GOB officials, three well-known entrepreneurs and an executive director who is the appointed person of IDCOL. It has multi-skilled work forces, namely: engineers, economists, financial analysts, IT experts, lawyers, and accountants. The stakeholders of IDCOL's are GOB, private sectors, NGO's, multilateral institutions, academics and the people of Bangladesh.

IDCOL is supporting private sector investment in energy and infrastructure projects for economic development to maintain global standards for and reliability and to carry out social obligations. IDCOL has BDT (Bangladeshi Taka) 400 million (about US\$5.8 million) as equity.

IDCOL has the admittance to USD 165 million from ADB (Asian Development Bank) for infrastructure financing and renewable energy financing (Bangladesh Bank, 2007). They provide long term local and foreign currency with financial advice.

### **6.2.2 Investment Promotion and Financing Facility (IPFF):**

IPFF would enhance the capacity of the local financial sector and bolster their ability for financing the much needed PPP ventures in infrastructure sector (Zhu, 2009 as cited in The Daily Star, May 2009) (The World Bank Country Director). The IPFF project cell in Bangladesh Bank accommodates all essential cooperation to the financial institutions and also to the private sector entrepreneurs in managing project modalities and in acquiescence processing. IPFF provides support both to Bangladesh Bank and Board of Investment under this project. IPFF provides lending for infrastructure and also technical assistance. IPFF creates awareness and builds capacity for PPP. IPFF is financially supported by the World Bank, as - the World Bank approved US\$ 50 million to IPFF projects for long-term finance for private sectors for infrastructure initiatives within PPP framework (The Daily Star, July 2008).

NCC Bank borrowed US\$ 24 million from IPFF for financing three small power plants to be set up by Doreen Power Generation and Systems Limited. The IPFF project has disbursed \$27.21 million out of the total WB approved amount of 47.50 million (World Bank, 2009).

### **6.2.3 Infrastructure Investment Facilitation Center (IIFC):**

IIFC is a government owned company. IIFC provides professional services to line ministries and agencies of the government to project development, design and technical support under PPP initiatives (Ministry of Finance of Bangladesh, 2008). IIFC is providing opinion on a feasibility study about the underground railway of Bangladesh railway under the Ministry of Communication and the cost was estimated at BDT 6,200 million (about US\$89.86 million) on the BOT (Built-Own-Operate) basis of PPP (The Daily Star, March 2008).

### **6.3 Prospective Sectors under PPP in Bangladesh:**

The government is interested in involving the private sector in all sectors barring a few for national security reasons. Modern and reliable infrastructure is a must to uplift the country's economy from the current state to a higher growth trajectory. But due to lack of investment in infrastructure in the past seven years, it is now stagnant. Realizing the demand for change, the present government's election manifesto accorded highest priority to infrastructure development, particularly to power generation( Daily Ittefaq, December 2008) and welcomes PPP investment in the following areas (MOF, Bangladesh, 2009):

- 1 .Power and Energy
2. Transport Infrastructure (roads, rail, ports, airport and water transport)
3. Pure Drinking Water supply and Sewerage and waste management.
4. Information Technology
5. Air port, seaport, river port, land port, container terminal
6. Industry
7. Education (particularly secondary and technical) and Research
8. Health and Family Welfare
9. Housing,
10. Tourism,
11. Telecommunication systems, network including ICT
12. Highway, expressway, bridge, tunnel, flyover.
13. Oil and gas exploration, production and transmission.
14. Industrial estate, property development.
15. Environmental management.
16. Railway system.

17. Urban, municipal and rural infrastructure, etc

#### **6.4 Partners of PPP:**

We recapitulate that PPP exists in two sectors as public parts and private parts. From the public region we establish the following names:

- i) Central government or national government.
- ii) Provincial government or state government.
- iii) Local government or local government bodies.
- iv) Municipal authorities or city governing bodies.
- v) District administrations.
- vi) Para-stated corporations or State Owned Enterprises (SOE) or Sector Corporations.
- vii) State universities.
- viii) Research organizations or institutions.
- ix) Central bank or government bank.

When we mull over the private sector organizations then we originate a lot of names come up there, as:

- i) Commercial enterprises.
- ii) Limited companies or partnership business or sole trader ship business.
- iii) Financial institutions or private banks or insurance companies.
- iv) Non-Government Organizations (NGOs) or voluntary organizations.
- v) Cooperative societies.
- vi) Corporate bodies.
- vii) Community-based organizations.
- viii) Professional bodies.
- ix) Religious bodies.

- x) Trade unions or Collective Bargaining Agents (CBAs).
- xi) Academics.
- xii) Different research institutions.
- xiii) Individuals or households.
- xiv) Different clubs and unities.
- xv) Chambers of Commerce and Industries.

### **6.5 Laws that facilitate PPP in Bangladesh:**

- i) The Bangladesh Private Sector Infrastructure Guidelines (PSIG), 2004.
- ii) The Foreign Private Investment (Promotion and Protection) Act, 1980.
- iii) The Investment Board Act, 1989.
- iv) The Companies Act, 1994.
- v) The Bangladesh Private Export Processing Zone Authority Act, 1996.
- vi) Public Procurement Regulation (PPR), 2003.
- vii) The Industrial Policy, 2005.
- viii) The Public Procurement Act, 2006.
- ix) The Public Procurement Rules, 2008.
- x) The Public Procurement (Amendment) Rules, 2009. (Amended in November 01, 2009).

### **6.6 Conclusion:**

The government of Bangladesh has developed an investment friendly atmosphere to facilitate PPP. So the laws, rules, policies and guidelines are organized to catch the attention of the private sector and try to rotate the PPP as profitable to the both parties and feasible and attractive. According to the World Bank Report the overall growth rate in Bangladesh is 5% till 2006. Goldman Sachs in the article “South Korea another BRIC (Brazil, Russia, India, China) in Global Wall” (2006) stated that to get developed Bangladesh is one of the next eleven countries

with Egypt, Vietnam, Indonesia and other seven countries. All these laws and regulations, prospective sectors, PPP parties and the initiatives of the government continue to improve the atmosphere of PPP in Bangladesh.

## **Chapter 7 Present Scenario of PPP in Bangladesh**

### **7.1 Introduction:**

This chapter focuses on answering question number three “What are the steps that can be taken to attract PPP in Bangladesh?” The relation between overall development and PPP depends on the involvement of the government and the motives of the policymaker with the private sector. PPP can be considered as a substitute effort of the government to fulfill the commitment at the time of election. When the new government is formed they have long commitment to the nation for development, but cannot accomplish everything due to shortage of funds. At that time the role of PPP comes in force.

PPP contributes to the capital inflow of the government to enlarge its balance sheet as well as raise the plough back capital to the private sector to their balance sheet. PPP attracts the local private sector over and above FDI to magnify the economic activity. Private sector has also the responsibility to raise the ability to go ahead and public sector has the responsibility to attract the investment.

### **7.2 Classification of infrastructure projects in Bangladesh:**

Projects of infrastructure for PPP in Bangladesh can be classified in the following ways:

#### **7.2.1 Large Projects:**

The Project which have the estimated capital cost will be BDT 25 million or more at the starting the project will be treated as large project.

#### **7.2.2 Small Projects:**

The Project which have the estimated capital cost will be less then BDT 25 million at the starting the project will be treated as small project.

**7.2.3 Poverty alleviation projects:** Some small projects may fulfill government’s targets for

poverty reduction as per Poverty Reduction Strategy Program (PRSP) can be treated in this section. As:

- ❖ Remote Area Power Supply System (RAPSS)
- ❖ Village water supply
- ❖ River Passenger landing or terminal
- ❖ Rural gas Supply etc.

This type projects will be accorded special incentives for rapid implementation.

#### **7.2.4 Rural projects:**

A large number of small infrastructure projects in the rural areas were proceed by the line ministries or agencies and later on approved as block in this category.

#### **7.3 Funds and supplies of the Government of Bangladesh:**

To attain the expected growth of GDP and investment in prioritized sector by the government requires taking consideration of private sector investment. The commitment of the present government to uplift the GDP required high target growth. An assessment of the Ministry of Finance of the Government of Bangladesh expresses that by the year 2014 it will have need of US\$ 28 billion to execute the commitment to the people. The table also indicates that in the year 2009 it also required US\$ 1.04 billion to achieve the required growth of the GDP as per commitment. The following table represents that:

#### **Estimated gap of resources in Bangladesh:**

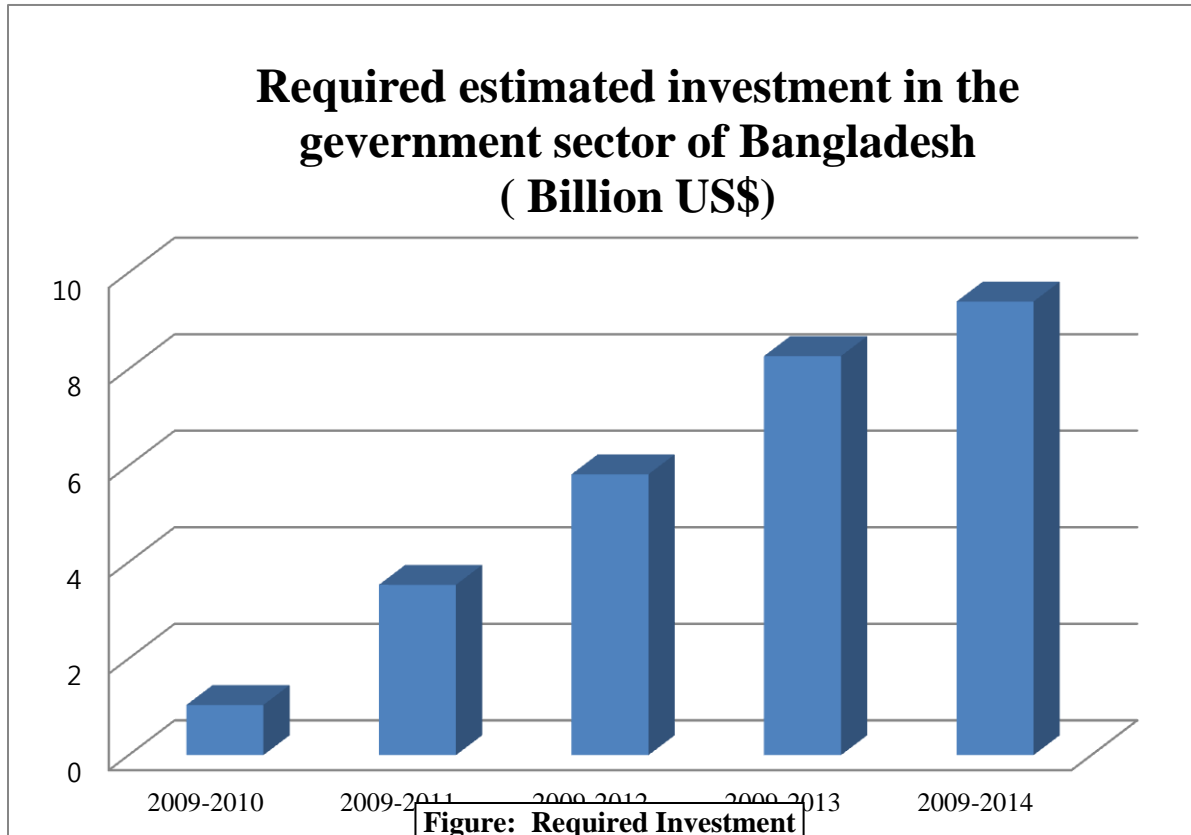
	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
GDP Growth(Percent)	6.0	6.8	7.5	8.0	8.0
Required Investment ( Billion US\$)	24.59	30.63	37.18	43.82	49.69
Investment ( % of GDP)	24.0	27.02	29.25	30.40	30.40
Required Investment	23.55	27.10	31.36	35.54	40.29



( Billion US\$)  
Investment Gap  
( Billion US\$)

1.04                      3.53                      5.82                      8.27                      9.40

Sources: Primary estimation of Finance Division, MOF (2009).



In each of the year it needed to increase the amount of investment to get the targeted GDP. From 2009-2010 it is needed almost 3.39 times in the year 2010-2011 and then in the year 2011-2012 it is needed almost 1.64 times from the year 2010-2011. In this estimate it's needed to increased 1.13 times also in the year of 2013-2014 from the year 2012-2013.

**7.4 SWOT Analysis of PPP in Bangladesh:**

For completion of the project under Public Private Partnership, Bangladesh confronts number of strengths and opportunities for expansion. At the same time there are some weakness and threats we can ascertain to implement PPP projects. In the following table we can find the SWOT position of PPP in Bangladesh:

**Strength:**

- Core competence for both parties on each program.
- Widely acknowledge connectivity.
- Win-Win situation in FDI sectors and partnerships.
- Partnership between the parties contributes to develop economy.
- Beneficial to the users at large.

**Opportunities:**

- Unlimited opportunities to extend business where public sector had a monopoly before.
- Liberalization policy of GOB and one stop service from BOI for FDI and Tax holiday from NBR raises the opportunities for partnerships.

**Weakness:**

- Some subsidy from the government may result negative consequences.
- Without any success, cost-sharing basis of the government need to go a long way.
- Continuous devaluation and also the devaluation by the IMF and WB are likely to pose serious problem.
- Unnecessary conditionality creates frustration.
- GOB delay in decision making hampers growth.

**Threats:**

- Absence of sovereign and efficient regulator.
- Ambiguous and opaque contract with the private sector may lead to political procession by the opposition parties.
- Attitude of bureaucracy.
- Perception of the people that PPP is a new form of privatization.

**Table: SWOT analysis****7.5 Facilities for PPP in Bangladesh:**

Bangladesh has few areas to attract investment (Sahoo, 2006) shows an excellent area for generating investment in various sectors. As Bangladesh is a developing country it has enormous range to build up a business to move ahead. The Government has taken many initiatives to facilitate PPP in Bangladesh. Some if the initiatives are:

- 1) Under the Prime Minister's Secretariat a national Private Infrastructure Committee (PICOM) was established to promote and handle PPP
- 2) PICOM coordinate, monitor and expedite the resources, strengths and capabilities of PPP.
- 3) Promoting new laws, regulations and policies for successful implementation of PPP.
- 4) Decentralize some extent of decision making to the lower level of administration to have more active role of PPP.
- 5) Develop the skills of the governmental officials to negotiate technical, financial and legal

aspects of PPP.

- 6) Oriented training for the government officials for developing PPP.
- 7) Incorporate private sector technical experts in line ministries and agencies committee to expedite PPP.
- 8) Private sector and public sector collaborative training to improve the role of PPP.
- 9) Monitoring the macroeconomic and foreign exchange affect by the Bangladesh Bank i.e. the central bank of Bangladesh.
- 10) Encourage non-resident fund for developing PPP.
- 11) All sorts of assistance for FDI in PPP.
- 12) Private sector will get all sorts of incentive provided by the government of Bangladesh.
- 13) For specific large PPP Projects government will consider special incentives in case by case.
- 14) Rural based poverty alleviation PPP Projects will get 10 to 15 years corporate tax holiday
- 15) Remote Area Power Supply System (RAPSS) will get the incentive by the Private Sector Power Generation Policy 1996.
- 16) Government will also provide subsidy as per terms and conditions of PPP Projects and the subsidies may be provided from Annual Development Program (ADP).

Investment in PPP by FDI is not required to take any prior approval except registration with the Board of Investment (BOI).

## **7.6 Conclusion:**

The government of Bangladesh will face a large capital gap to attain the target growth and this gap is not wise to fill up by foreign loan or domestic loan. Geographical appearance and relationship in the international arena can be a driving force to build up PPP in Bangladesh.

Although there are some political barriers to implement PPP, we can generate employment in the economy to eradicate poverty. In these circumstances the duty of the government is to create friendly atmosphere to boost up PPP.

## Chapter 8 Factors affecting PPP Decision in Bangladesh

### 8.1 Introduction:

This chapter seeks to answer research questions four and five i.e. the obstacles of PPP in Bangladesh and the measures to eradicate the obstacles. Traditional British colonial law and some political unrest hamper the investment. Currently for the mounting demand of the society the role of private sector and the public sector has been augmented. The private sector and the public sector individually are not able to find adequate experts to provide expected products and services. So to eradicate the problem of the society and to fulfill the target it is necessary to exchange necessary resources between two sectors. These exchanges of resources boost up interaction and cooperation. For that reason, society moves to network society (Castell, 1993) and the private sector formed an industrial network (Graeber, 1993) and public sector involved citizens and social groups (Kickert, Kliin and Koppenjan, 1997). The interdependencies between the public sector and the private parties give the shape of public private cooperation (Ham, Koppenjan, 2006) which led to public private partnership.

### 8.2 Factors that affect PPP in Bangladesh:

Many factors are greatly affecting the expansion of PPP in Bangladesh. They can be categorized mainly into three sections, as;

- I) Country perspective.

- II) Public sector perspective.

- III) Private sector perspective.

**8.2.1 Country perspective:** In this section two main reasons for obstacles are :

- A) **Image:** Many of the developing countries are depicted as a full of natural disasters, inactive law and regulations, political turbulence, corruption and poverty. International propaganda and the failure of imparted the success of

Bangladesh in the international arena lead Bangladesh to be pictured like the above.

B) **Infrastructure:** Power and energy, roads and communication, port and landing, internet and telecommunication, land and river management are problems to extend PPP in Bangladesh. Bangladesh has 270,565 km total road length and in that long length only 20,735 km is main roads and classified rural roads 78,495 km and other rural roads 171,335 km ( Sources: Roads and Highway Department in Bangladesh, 2009). In these sectors Bangladesh has underutilized and inadequate supply of fund to improve the infrastructure. To raise the business and to attract the investment, partners demand the abundant privileges of the above infrastructures.

**8.2.2 Public sector perspective:** There are three main reasons for creating obstructions to PPP.

These are:

- i) **Lack of information:** Bangladesh is facing a huge problem of providing online information to the partners or prospective investors on their requirement. The lack of an updated national database, statistical misinformation, and the absence of integrated investment data analysis discourages the prospective partners to invest with the government. Additionally, different accounting format of the different government sectors (Banks maintain accrual system of accounts while Government maintain Cash basis of accounts) creates problem to the prospective partners to understand.
- ii) **Bureaucratic side:** Government is run by the bureaucrats. All the jobs of the government are done by the staff and officers of the government. This bureaucracy

has problems in three ways:

- a) **Knowledge:** Lack of knowledge about the PPP and its effect in the economy hampers the expansion of PPP. Still in Bangladesh the British Colonial administrative procedure continues, which is a great impediment to the implementation of new ideology to the government staffs and officers. Clerical interpretation and procedural delay of files does not express the knowledge level of the civil servants.
- b) **Skill:** Skill of sharp understanding, using of computers and internet and updating themselves with the world trend of management and development is required to ascertain the intellectual level of the civil servants. In Bangladesh there is a huge gap of perfection of the job which indicates a low level of skills of the civil servants. This low level of skills makes it difficult to understand the clause of contract of PPP. When the private sector finds that the government side is weak to settle a contract then they underestimate the party and in some cases deals are not done for that reason. In the year of 2006-2007 the investment proposal of Tata Group of India in Bangladesh is not get success due to less skill, analysis of investment and the less understanding of the proposal at the beginning.
- c) **Attitude:** At the time of performing the job for the people the civil servants think that “I’m the monarch” and they sometimes behave as if those who come for the service to the government are the subjects of the personnel. This type of attitude discourages the investors to come to an agreement of PPP.

**8.2.3 Private sector perspective:** There are three main reasons for making barriers to the PPP

in Bangladesh:

- 1) **Lack of awareness:** The private sector has the only goal to make profit for the business. Also in some cases, private sectors have no idea of the new domain of business (where government sector were only performer) which shrinks the expansion (get entrance in the governmental areas) of business. In Bangladesh there are shortages of strong, fair, trustworthy, consumer friendly and user friendly private sector communities. On the other hand profit mongers, unethical, non reliable and unworthy private sectors destroy the trust of the common people, which hinders the PPP. The shaky and unfair statements of the business community to earn unexpected or very high profit from the consumer market reduce the trust of general people.
- 2) **Less social responsibility:** The private sectors do not even think about the social responsibility in some cases (environmental consciousness in the industry's area) which hampers the deal of PPP. In some cases (safety and hazards, environmental pollution etc) private sectors think that all sorts of social responsibility should be fulfill by the government sector and they are simply obliged to paying tax. This type of tendency represents the avoidance of social obligations. If this type of attitude comes from the private sector then it barricades the progress of PPP.
- 3) **Fear of risks:** In Bangladesh the private sector investors think a lot about their investment and the new arenas of business. At the time of investment, private sector investors want a very short payback period of their investment. Sometimes, the investors also get fear about the change of the political government and changes of rules and regulations. As a third world country, sometimes the



imposition of restrictions of WB and IMF to the government creates fear to the private investors which impedes the contract of PPP. As per example when the government is facing severe shortage of funds then WB restricted the fund disbursement due to some defined causes of the WB.

U. S. Department of State in the year of 2002 expresses the following factors as barriers of investment in Bangladesh which show the way of handicaps of Public Private Partnerships:

- i. Law and order situations
- ii. Poor infrastructure.
- iii. Corruption
- iv. Political violence
- v. Instable policy.
- vi. Unnecessary delay in the ministry.
- vii. Lack of transparency
- viii. Poor governance.

### **8.3 Risk associated with PPP in Bangladesh:**

Risk in PPP has a direct effect on the provision of service and the financial viability of the project in Bangladesh. The risks associated with PPP can be determined in the following ways:

- 1) **Political Risks:** For the sake of political favor PPP face a lot of difficulties to implement. Long term PPP face a vulnerable position for the protest of the political parties.
- 2) **Site Risks:** To implement the project it's needed to acquire land and so a risk of implementation arises. There are risks of ground position, environmental situation, archaeological matters, and utilities of the site which are associated to implement PPP in Bangladesh.

**3) Construction Risks:** When the costs of construction overrun the budgeted cost then the risk of construction arises. Then the project may not get the appropriate allocation of fund to complete the job. That's also why debt service risk is associated.

**4) Completion Risks:** Delay in completing the projects increases the financing cost which may lead the profitable projects to the lose projects. It can be delay for many reasons such as: strikes, problem in supply chain.

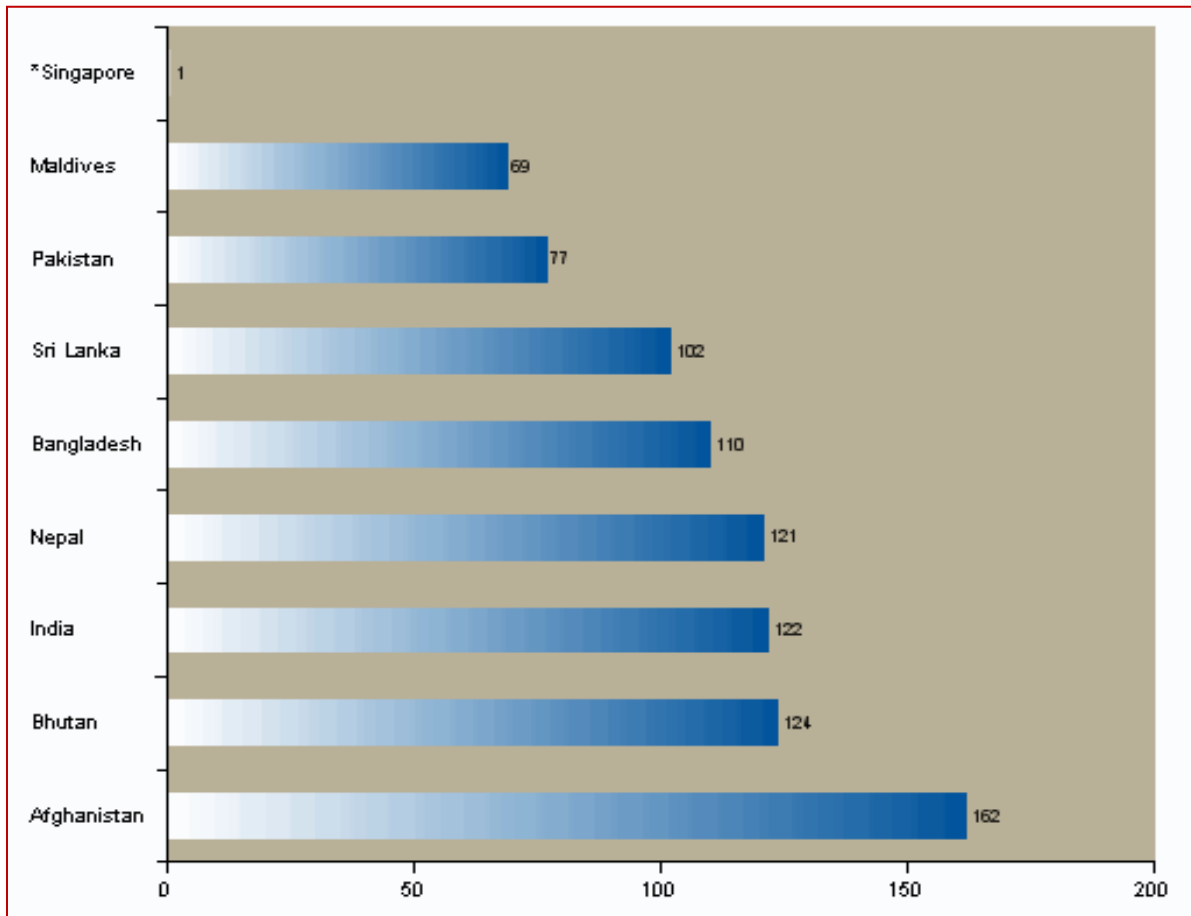
Also at the time of implementation PPP in Bangladesh the following risks is traced. As;

- i) Foreign currency availability and transfer risks
- ii) Foreign exchange rate risks.
- iii) Changes of law and regulations.
- iv) Price-adjustment risks.
- v) Risk related to construction subcontractors.
- vi) Design risks.
- vii) Network risks.
- viii) Revenue payment risks.
- ix) Operating expense risks.
- x) Maintenance risks.
- xi) Regulatory risks

All these sorts of risks creates barrier to the two sectors of the PPP for implementation of the projects in the proper way. To avoid all these risks and obstacles of developing public private partnerships in Bangladesh it is needed to build up favorable conditions to attract Public Private Partnerships.

#### 8.4 Optimistic panorama to create a center of attention of PPP in Bangladesh:

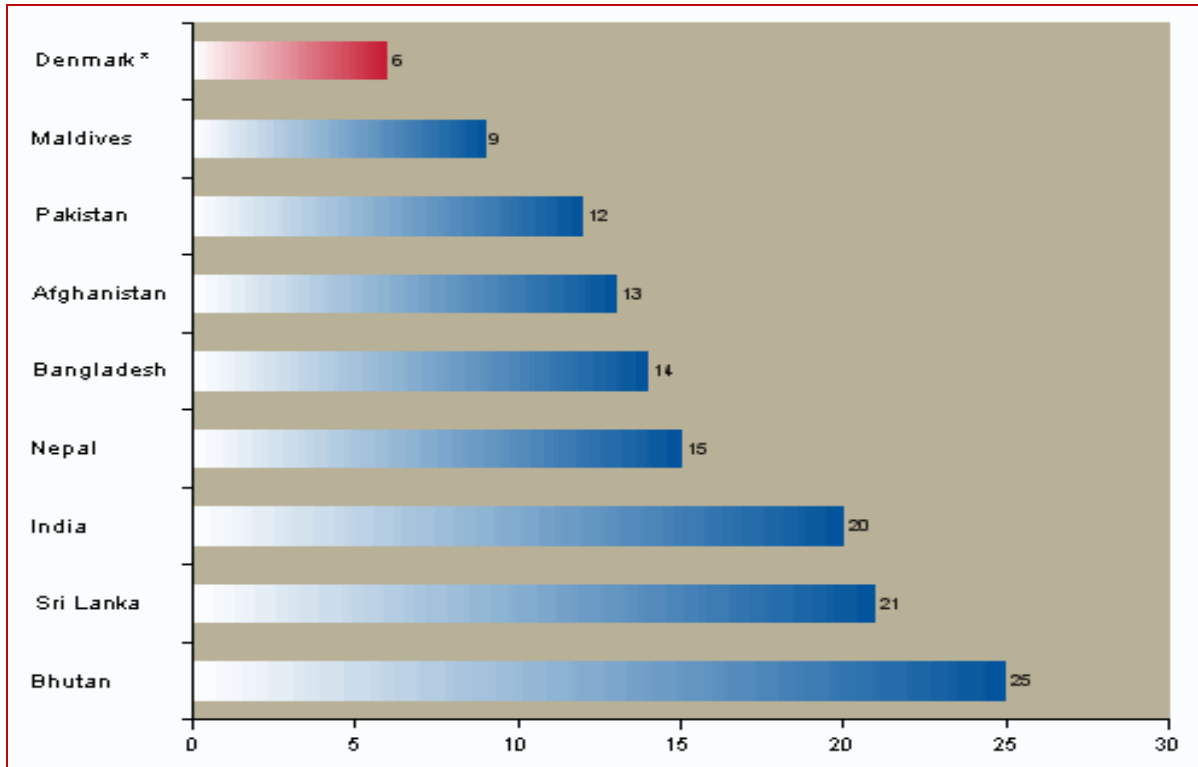
The place of Bangladesh is 110 out of 181 countries in the world to extend business by the report of World Bank in the year 2009. From the following diagram we can ascertain the location of Bangladesh.



**Figure: Position of Bangladesh to extend business.**

Sources: Doing Business 2009 in South Asia, World Bank 2009.

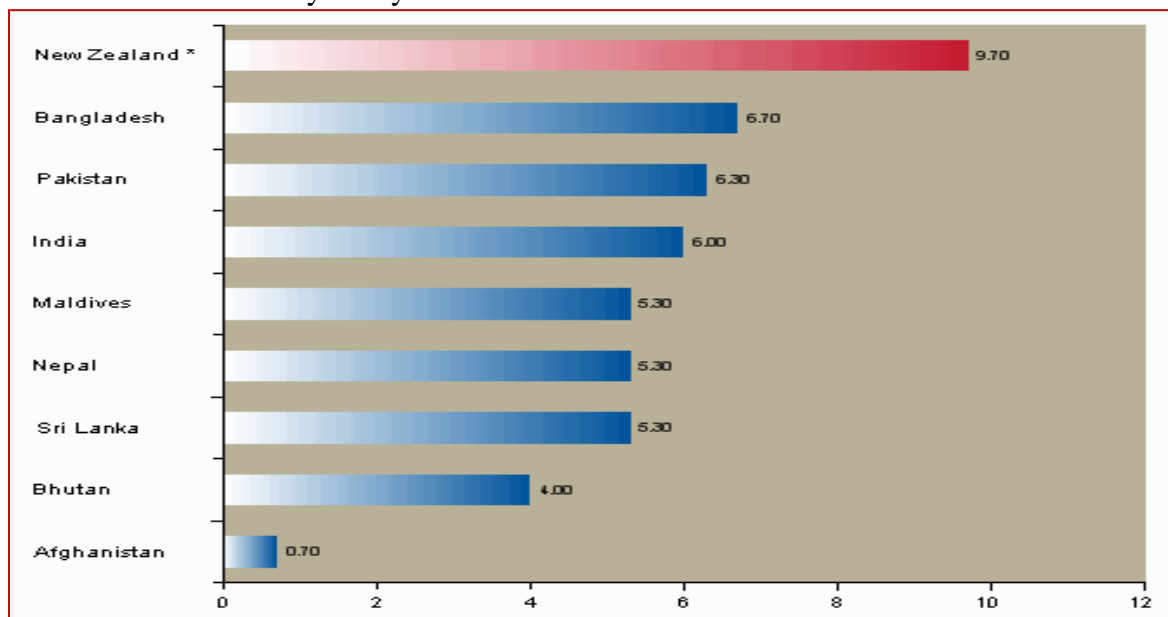
The Government of Bangladesh has taken a lot of initiatives to attract PPP to the country. The government has given a priority to attract infrastructure development in PPP sector. In that perspective government tried to reduce the date of permitting the procedure of construction. In that point Bangladesh has taken only 14 days to complete the job. In the following chart, the World Bank, (2009) has figured out the position of Bangladesh:



**Figure: Required Time to complete the Job for construction.**

Sources: Doing the business 2009 in South Asia, World Bank, 2009.

Bangladesh has given the investor a priority and investor can earn a lot of their investment and can take back the money safely. The investors' index is as follows:



**Figure: Investors safe invest return.**

Sources: Doing the business 2009 in South Asia, World Bank, 2009.

Position of Bangladesh is 132 in the human development index by UNDP and GDP per capita in PPP US\$ 1,483 in the year of 1999. In the following table we can find the facts: **Human Development Index: 1999**

Country/Rank	GDP per capita (PPP US\$)rank minus HDI Rank	GDP per capita in (PPP US\$)	Life expectancy index	GDP index	Human Development index (HDI) value	Life expectancy at birth (Years)
Bangladesh/132	-4	1,483	0.57	0.45	0.47	58.9
China/87	7	3,617	0.75	0.6	0.718	70.2
India/115	0	2,248	0.63	0.52	0.571	62.9
Indonesia/102	3	2,857	0.68	0.56	0.677	65.8
Malaysia/56	-4	8,209	0.79	0.74	0.774	72.2
Nepal/129	7	1,237	0.55	0.42	0.48	58.1
Pakistan/127	-5	1,834	1	0.49	0.498	59.6
Sri Lanka /81	19	3,279	0.78	0.58	0.735	71.9

**Table: Human Development Index.**

Sources: UNDP web site: A joint project of CPSU & CTO (The Commonwealth Policy Study Unit, The Commonwealth Telecommunication Organization)

In a report study of World Bank in 1998 showed that Bangladesh will require US\$ 325 billion by the year 2020 for investment. The government of Bangladesh will not be able to provide that amount of money for its required development and the scope for PPP has been extended a lot.

The following table displays the requirements:

**Investment requisite by 2020:**

Sectors	Annual average growth rate required to increase	Total amount of money required (US\$ billions)
Urban housing and Infrastructures	4%	100
Industry and Agriculture	4%	100
Physical Infrastructure	3%	75
Social sectors	1%	25
Environmental sectors and Others	1%	25
Total		325

Sources: World Bank, 1998.

**Table: Investment Required in Bangladesh.**

Source: World Bank and BCAS 1998; Bangladesh 2020: A long run perspective study. <http://www.worldbank-bangladesh.org/>

### **8.5 Significant possibility to magnetize PPP in Bangladesh:**

Bangladesh has its distinctive features that attract PPP's encouraging circumstances to catch the attention of investment. PICOM claims that Bangladesh proposes a distinctive provision in comparison to other LDCs as well as SAARC countries. We can consider these as follows:

- i) Large uniform society.
- ii) Market oriented reform and no political influence
- iii) Investors-friendly climate.
- iv) Low labor cost and easy availability of labor.
- v) Nice geographical location for easy accessibility of seaport and airport.
- vi) Plain land for easy communication.
- vii) Endowed with natural resources like gas, coal and water.
- viii) Duty and quota free access to the most of the developed countries as LDC.
- ix) Investors in the private sectors are protected by law.
- x) Large market in a small territory to get return.

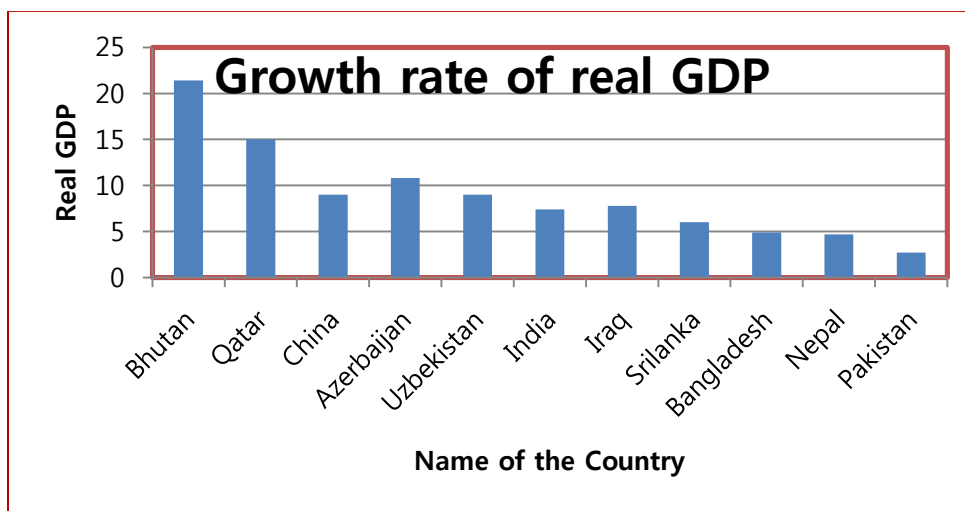
### **8.6 Steps needed to attract PPP in Bangladesh:**

Economist, analyst, leaders of chamber of commerce, donors and policy makers robustly consider that the country should have a double digit economic growth, which cannot be accomplished without the rigorous economic activity. This economic activity can be fulfilled easily by attracting investment through PPP and also FDI in PPP. Chambers of commerce of Bangladesh suggested that the government of Bangladesh should take appropriate legislative reconstruction to attract PPP in Bangladesh and the businessman requires the security of their investment (The Daily Ittefaq, 2009). In comparison to other developing countries Bangladesh is far behind in attracting FDI. FDI inflow to Bangladesh has been declined in the past few years (Center for Policy Dialogue, 2009). Bangladesh should thus advertise about the insurance

coverage of MIGA (Multilateral Insurance Guarantee Agency) to the prospective investor to increase their confidence (MIGA, 2009) and by increasing the level of confidence it is possible to increase the field of investment in public private partnerships projects.

JETRO (Japan External Trade Organization) has conducted a survey about the cost of investment in Bangladesh of 34 components and found 7 components are cheap and one component is exclusively the lowest in comparison to others (JETRO, 2009). There are some positive sign for investment in Bangladesh. Cheap labor and natural resources are the carries the value to attract the PPP projects in Bangladesh. So it should be needed to give the priority to eradicate the barriers of these areas. To attract PPP, government desires to take the following necessary steps as early as possible:

1. **Positive country image:** Investors has a predetermine thought about Bangladesh is that the country is the name of natural disaster, poverty, corruption and overpopulation. The positive matter is that the geographical position and possibility of increasing growth rate (In some cases the real growth rate of GDP) and democratization of power and entrepreneurial culture may lead to positive feeling to the PPP investors.



**Figure: Growth rate of real GDP.**  
Sources: CIA fact sheet, 2009.

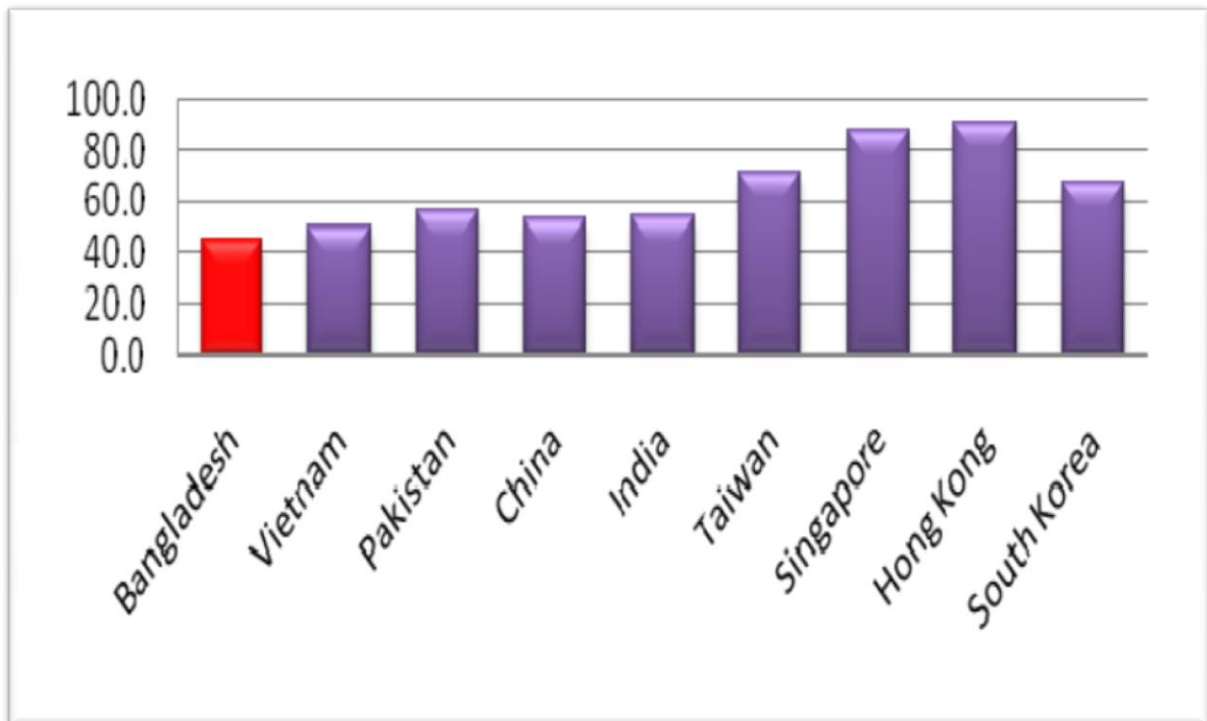
2. **Encouraging the partners:** To develop PPP projects it is required to give incentives to the investors and there should not be discrimination between the local and foreign investors. All the investors required giving equal emphasis for investment and privileges for investment. Investors should not differentiate with countries or continent. It is needed to remember that one investor will be the ambassador for other investors.
3. **Necessity of equity protection:** The investors required the protection of their invested capital with the government to the government sectors. If the investors feel insecure of their invested equity, they will not encourage investing in PPP projects. Consequently the government of Bangladesh should regulate the equity protection of the investors in the PPP projects by implementing new regulations. Often the investors may raise the question of the safeguard of their invested amount. As a result, before an issue is raised by the investor and to ensure favorable conditions for the investors it is considered necessary to enforce an equity protection regulation.
4. **Set up sufficient infrastructure amenities:** To attract the investors to invest in PPP projects the government is required to provide adequate infrastructural facilities like power, communication, transport, water supply, gas, telecommunication, ports etc. Without the infrastructural development the economic vision will constrain. The Quarterly ADB Report suggested that to grow 7% of GDP growth would necessitate Bangladesh adding 2000 MW capacity of power generation each year (ADB, 2009).
5. **Ensure good governance:** The government of Bangladesh needed to ensure good governance by reducing the corruption in procurement programs as a soft means of party financing. To improve the efficiency and to remove the bottlenecks in the government and the administration it is required to decentralize the government. For better



development it is needed to ensure corporate governance which should include transparent and trustworthy accounts from the private sectors. An effective tax collection system and minorities right (Is a continuous requirement of the WB and other donating agencies for funding) also added value to the good governance to attract public private partnerships in Bangladesh.

6. **Eradicate the procedural hindrance:** To set up a business in Bangladesh it takes long time and in comparison with the seven SAARC countries the position of Bangladesh is 7 (Doing Business in South Asia, 2009). This long procedural step discourages the investors. This develops a bad impression about the government for development partnerships. Government need to take strong initiatives ( computerized data processing, one stop service, electronic payment orders) to minimize the procedural delay and try to provide service at the earliest time.
7. **Change the level of bureaucracy:** To extend the hand of PPP it is required to develop the level of understanding of the civil servants to assist the government. There is no alternative of improving the knowledge level. For to develop the understanding level and the skill of the civil servants the government should take the following initiatives:
  - I) Provide proper inland trainings.
  - II) Motivating them by learning of pose and cons of PPP.
  - III) Let the bureaucrats understand the will of the Policy makers.
  - IV) Changes the attitude of ruler and ruled.\
  - V) Provide them with foreign training to understand the world scenario in collaboration with WB or ADB or UN or any other donor agencies or countries.
8. **Stable policy:** Bangladesh requires political stability to attract the local and foreign

partner to invest in the government sectors. Every investor has estimated the return within a safe period of time. If the political instability increases and the investors feel unsecure of their investment they will not come to any contract with the government to develop public-private partnerships. In this case, government needs to strictly handle the political violence to attract the investors. The following graph it is expresses the position of Bangladesh in economic freedom:



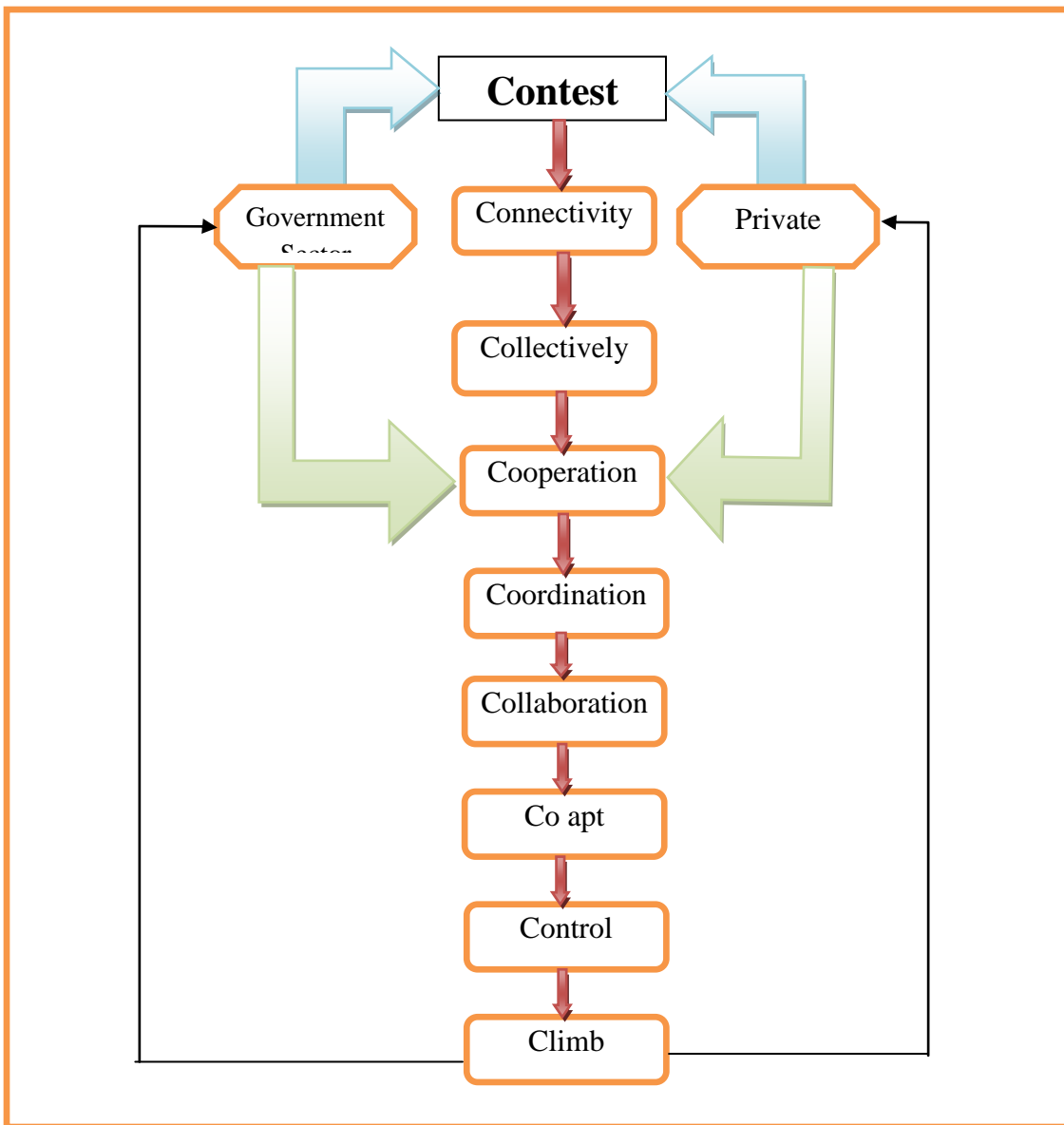
**Figure: Index of Economic Freedom, 2008.**

Sources: AT Capital Partners (2009).

Additionally, the government has to ensure the economic freedom for the investors to attract the investment in PPP projects. From the above graph it can be ascertained that Bangladesh has a long way to go to achieve the target of its development.

Before concluding, it is important to understand the present relation of public sector and the private sector in Bangladesh and there should be one tie to make both sectors together. The public sector and the private sector have different goals and targets and at the same time both

sectors have competition with each other. Then it needed to connect them together and make them cooperative to each other, so that they can coordinate to fulfill the job. After that both sectors can control the situation and can contribute a lot to the project to get the required target and to earn both sectors basic point and by their achievement uplift the national economic growth. From the following figure it can be determine by 9C's to tie the government sectors and the private sectors for the developing goal of Bangladesh.

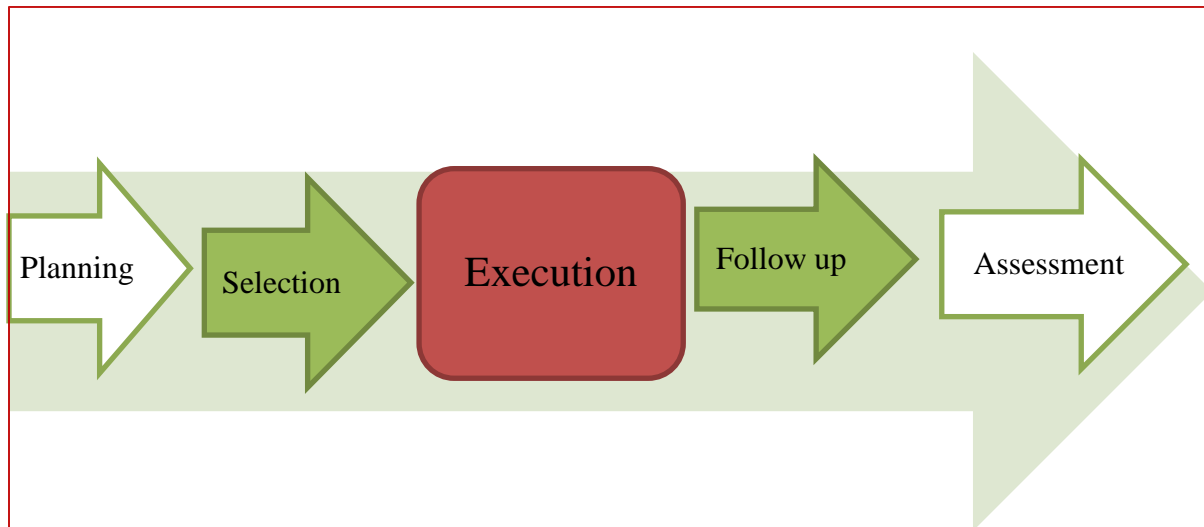


**Figure: Connectivity for PPP in Bangladesh.**

## 8.7 Conclusion:

Bangladesh ranked 5<sup>th</sup> in attracting FDI between the 50 LDCs and the per capita income ranked is 34(UNCTAD, 2007). If the investors get the competitive advantages then they agree to invest with the government. Bangladesh has a number of obstacles to attract PPP in global and circumstantial perspectives.

To execute the PPP projects it is needed to pursue the following steps:



**Figure: Execution of PPP projects.**

Bangladesh requires changing the mind-set of the responsible authorities to extend PPP. India, Thailand, Malaysia and South Korea have demonstrated the benefits of PPP long before of Bangladesh and got the fruitful result in maximum cases. Bangladesh requires a sustainable economic strategy to provide the privileges of PPP. Better economic governance and continuous economic stability may be able to improve the position of PPP. Bangladesh needs to grow a positive attitude in working environment. It also needs to improve corporate culture and its bureaucratic culture. Bangladesh needs to imitate the experience of Japan, China, and South Korea for its attainment of growth of PPP. The above mentioned changes may give positive direction for development.

## **Chapter 9 Conclusion**

### **9.1 Introduction:**

This is the concluding chapter of the dissertation. This chapter simultaneously aligns the imperative findings of Public Private Partnerships in Bangladesh and positions the messages acquired from the study. Furthermore the necessity for additional research is incorporated in this chapter.

### **9.2 Condense of findings:**

This dissertation endeavored to talk about the major areas of PPP in Bangladesh including the present scenario in Bangladesh, impacts of PPP in Bangladesh, related regulations for the expansion of PPP in Bangladesh, the hurdles to extend PPP and the meaningful measures that can be taken.

The movement of PPP in Bangladesh is growing (Annexure- 3) in comparison to previous position but it is not satisfactory to improve the socio-economic situation of Bangladesh to a sensible extent. The rules and regulation for the expansion of PPP are strong (Annexure-1) to start up the project which is visible for the assistance for the private sector investors, but there are still some problems of a lack of availability of the information. At the same time, the government still doesn't have any rules for the protection of the invested capital of the investors in PPP. Therefore the PPP could not formulate momentous consequences until now.

The Government of Bangladesh has given priority to invest in PPP to achieve the targeted growth. In this perspective the estimated gap of the capital flow will be filled up by PPP but the political clashes and in some cases unfriendly atmosphere hampers the aim to extend the growth of PPP in Bangladesh. PPP generates employment in the economy in Bangladesh and helps to remove poverty in some context but could provide a considerable blow to the technological

progress.

Bangladesh is facing a number of obstacles to expand PPP and the government has taken some measures to remove those barriers. For better attainment Bangladesh needs to grow a positive attitude in bureaucratic culture and also in corporate culture to maintain the changes and to achieve the ultimate goal of PPP. Whatever the case may be, to attract PPP to the local and foreign investor Bangladesh should create competitive circumstances for investment and to develop partnership. With the purpose of economic development, the barriers of PPP should be overcome as early as possible.

### **9.3 Research Questions:**

#### **9.3.1 Answer to question one:**

Bangladesh is in an improved situation for developing investment and partnerships with the government in comparison to the past. In 1998 World Bank acknowledged that to reduce poverty Bangladesh needed to raise GDP growth rate by 7% to 8%. To attain that level of development it is necessary to raise the level of governmental assets in the balance sheet. The limited fund of the government does not allow to the increase the level of assets. So the government has taken initiative to increase the amount of capital by enforcing laws.

In the year 2004, government has enforced Private Sector Infrastructure Guideline for promoting PPP and also established IDCOL, IPFF and IIFC to provide support of BOO, BOT and different other types of projects in Bangladesh. The government also opened the doors of different sectors and also involved all the ministries to encourage PPP in Bangladesh.

The government also tried to attract the private sectors to invest in PPP projects. All these steps of the government can be defined as “Magnetic Ball” to attain the growth.

Bangladesh has an advantage of cheap labor for developing business with the government yet even with that advantage; the government cannot expand the business because of the uncertainty

of the equity protection of the investors and the lack of political commitment of the government. Therefore the present law can assist the government to attract PPP but to attract more investors it is necessary to add some new laws as early as possible. The government needs to move fast to change the scenario of regulation to fulfill the commitment for its socio-economic development.

### **9.3.2 Answer to question two:**

PPP in Bangladesh generates employment and it is very easy to get profit from the project by the private sector due to low cost of labor. To attain the growth of 8% by 2013 requires US\$ 28 billion or BDT 1.96 trillion from 2009 to 2014. So the impact of PPP to get the targeted growth is significant. The World Bank is providing about US\$ 50 million to develop PPP in Bangladesh. PPP creates the opportunity of employment and also some position in technical and professional and management sectors. From the year 2001 to 2005 FDI investors repatriated 26% more than their investment which shows that investors in PPP can get more or the same return in investment with the government. Support from the WB added value for the expansion of PPP in Bangladesh.

So far PPP is not able to develop the technological position in Bangladesh due to sector composition, policy priority and low adoptability of the newness. To develop skilled manpower it is needed to adopt a technological uplift (People are accustomed with the use of technology) in PPP. To reduce poverty it is necessary to increase investment in Bangladesh by 13% and also that the labor force of the country adopts the technology. In Bangladesh we found that both are absent and for that the targeted goal is not achieved as desired. Therefore this study finds that PPP has a positive impact on the economy but not as desired to achieve the targeted goal. This indicates that PPP created some employment of unskilled labor to the economy but cannot play a significant role to eradicate poverty and improve the growth rate of GDP.

### **9.3.3 Answer to question three:**

Bangladesh has few areas to attract investment. As per the commitment of the present government of attaining the increase of GDP, the government has taken many initiatives to attract PPP. The present government has allocated BDT 2,100 million (US\$ 30.44 million) for to develop PPP. Under the secretariat of the Prime Minister PICOM was established. The Government of Bangladesh has given incentives to the RAPSS projects.

PPP by FDI is not required to get any prior approval except registration with the BOI. Rural base PPP projects will get 10-15 years of tax holiday facility. Training will be provided to the civil servants to develop their skills to promote PPP in Bangladesh.

The attitude of bureaucracy and the perception of the mass people is a threat to PPP. At the same time some ambiguous contracts may also raise political question which hamper the goal of PPP. Bangladesh has the geographical privileges to attract PPP. To attract the BOO and BOT model to the investors in different sectors of investment in Bangladesh, the government is required to be more friendly with the partners. To fulfill the funding gap of 1.04 billion in the year of 2009, it is needed to be more cautious in appearance to the private sector investors to attract them for investment.

### **9.3.4 Answer to question four:**

Still Bangladesh follows in some cases the British colonial law which hampers the attention of investment. Bangladesh is facing the “Country Image” problem as well as infrastructural backwardness, which also creates problem to attract PPP. Knowledge, skill and attitude of the civil servants also discourage the local and foreign investors to invest in PPP projects.

Bangladesh has one of the most liberal and easy policies to in the region to attract FDI and local investment to accelerate PPP. Though all privileges are still remaining, but the country has failed to attract sufficient FDI and local investors to attain the target of PPP. It is required to develop



the awareness of the private sector and also needed to assure about their risks and the involvement of MIGA in investment. To magnetize PPP in Bangladesh it is required to drive the fear of political risk, construction risks, foreign exchange rate risk and other risks from the mind of the investors.

#### **9.4 Lessons Learned:**

Private sector investors have an inbuilt motive for investment. So the investment in PPP by the private sectors lies with the financial return. Investors always calculate their return of capital on their investment, rather than considering their social responsibilities or development impacts of the country.

Subsequently as a developing country, Bangladesh should take its best effort to eradicate the bottlenecks of expanding PPP. Therefore the selection of the project and exploration of the investors for developing partnerships are the best supportive mode for improving the position of PPP in Bangladesh.

#### **9.5 Further Research:**

The orientation of FDI in PPP in Bangladesh and empirical success of PPP in Bangladesh requires further research. Technological aspects through PPP and assistance to reduce poverty through PPP should receive special attention. This research will help to get an overall conception about PPP in Bangladesh and possible areas that expect governmental intervention to extend PPP for the growth of the economy as well the nation.

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## Appendix-1

### Steps for unsolicited PPP

Step 1	<b>Review Process</b>	As an expression of intention to submit an unsolicited proposal, the original private Project proponent first submits to the appropriate Line Ministry, PICOM or BOI, a preliminary Project proposal that consists of the technical and commercial description of the Project.
Step 2		The Executing Agency and the Ministry reviews the preliminary Project proposal, seeking additional information as necessary.
Step 3		If the preliminary Project proposal is accepted by the Line Ministry, the Executing Agency shall accord recognition of the Project and request the submission of the formal proposal in accordance with section 3.7.2. The Project proponent may go directly to Step 3, but increases the risks on his Project development costs, as the Project may be found unacceptable to the Line Ministry.
Step 4		The detailed Project proposal is reviewed by PTEC. At the end of a stipulated time period, the Project may be approved for a competitive process or rejected. If the Project is rejected, the original Project proponent may resubmit a modified version. If the Project is accepted, then the Project is forwarded to PICOM for CCEA approval.
Step 5	<b>Competitive Process</b>	On CCEA approval, the competitive tender process starts, with the Project proponent a Pre-qualified Tenderer.
Step 6		After other Tenderers are Pre-qualified, the Executing Agency seeks competitive Tenders for the Project, using specifications suited to their requirements.
Step 7		The original Project proponent must submit Tender, along with other Tenderers.

Sources: Bangladesh Gadget, October 5, 2004

## Appendix 2

<b>Table 2. Bangladesh: Economic Indicators, 2004–2008</b>					
<b>Economic Indicator</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Per capita GNI, Atlas method (\$)	410	440	450	470	...
GDP growth (% change per year)	6.3	6.0	6.6	6.4	6.2
CPI (% change per year)	5.8	6.5	7.2	7.2	9.9
Unemployment rate (%)	...	4.6	...	...	...
Fiscal balance (% of GDP)	-3.2	-3.3	-3.2	-3.2	-4.7
Export growth (% change per year)	15.9	14.0	21.5	15.8	15.7
Import growth (% change per year)	13.0	20.6	12.1	16.6	25.6
Current account balance (% of GDP)	0.3	-0.9	1.3	1.4	0.9
External debt (% of GNI)	33.8	29.9	31.1	30.1	...
<p>... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.</p> <p>Sources: ADB. 2009. <i>Asian Development Outlook 2009</i>. Manila. ADB staff estimates. World Bank. 2009. World Development Indicators Online.</p>					



### Appendix-3

The range of options for public private partnership in infrastructure:

Type of partnership	Features
Traditional design and build	The government contracts with a private partner to design and build a facility to specific requirements
Operations and maintenance	The government contracts with a private partner to operate a publicly owned facility
Turnkey operation	The government provides financing, the private partner designs, constructs, and operates facility for a specified time period, while the public partner retains ownership of facility.
Lease-purchase	The private partner leases a facility to the government for a specified time period, after which ownership is vested with government
Lease or own-develop-operate	The private partner leases or buys a facility from the government and develops and operates the facility under contract to the government for a specified time period
Build-operate-transfer	The partner obtains an executive contract to finance, build, operate, maintain, manage, and collect user fees for a fixed period of amortize its investment and at the end of the franchise, the title reverts to the government
Build-own-operate	The government either transfers ownership and responsibility for an existing facility or contracts with a private partner to build, own, and operate new facility in perpetuity.

Source: World Bank, 2006

- 1) World Bank. 2006. *World Development Report, 2006*, “Colombia Contracting Education Services.” Report 31841-CO. Washington, DC.

#### Appendix-4

#### List of PPP Projects under the Existing Framework List of PPP Projects financed by IDCOL

Sector	SL	Project Name	PPP Model	Investment Million BDT
Power and Energy	1	Meghnaghat 45 MW Power Plant	BOO	21000
	2	Summit Power 33 MW Power Plant	BOO	1250
	3	Summit Uttaranchal Power Company 44 MW Power Plant	BOO	1970
	4	Summit Purbanchal Power Company 66 MW Power Plant	BOO	3000
	5	VERL 34 MW Power Plant at Bhola	BOO	1200
	6	BEDL 51 MW Power Plant at Sylhet	BOO	1830
	7	34 MW Malancha Holdings Power Plant at Dhaka EPZ	BOO	1650
	8	Shah Cement 11.6 MW Power Plants	Captive Power Plant	590
	9	Thermax Trade Limited CNG Refueling Station	Under License from Petrobangla	55
Renewable Energy	10	IDCOL Solar Energy Program	Implemented by NGO and Private Sector	20060
	11	National Domestic Biogas and Manure Program		2150
	12	250 KW Bimas Gasification Based Power Plant	Under a License from BERC	25
	13	50 KW Biogas Based Power Plant	Under a License from Government	5
Port and Communication	14	Panama Hilli Land Port	BOT	180
	15	Panama Sonamasjid Land Port		200
Tele-communication Technology	16	Grameen Phone Network Expansion Project	Under a License from BTRC	45340
	17	Pacific Telecom Network Expansion Project		21560
	18	Ranks Tel PSTN Project		2300
	19	DNS Satcomm Satellite Earth Station Project		160
	20	BanglaTrac International Communication Gateway Project		670
	21	M & H Telecom Interconnection Exchange Project		660
Information Technology	22	Shoanchalok ICT Program	Implemented by some Banks and Financial Institutions	500

**Source: Ministry of Finance, Bangladesh 2009.**

## Appendix 5

<b>Table 5. Bangladesh: Project Success Rates</b>		
<b>By Sector</b>	<b>Percentage<sup>a</sup></b>	<b>No. of Rated Projects/ Programs</b>
Agriculture and Natural Resources	48.6	35
Education	66.7	12
Energy	75.0	12
Finance	16.7	6
Health, Nutrition, and Social Protection	25.0	4
Industry and Trade	50.0	6
Multisector	75.0	12
Transport and Communications	75.0	16
Water Supply, Sanitation, and Waste Management	50.0	2
<b>Total</b>	<b>58.1</b>	<b>105</b>
<b>By Year of Approval</b>		
1970s	26.1	23
1980s	57.1	35
1990s	73.3	45
2000s	100.0	2
<p><sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.</p> <p>Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.</p>		

## Appendix 6

### List of Implemented and Under-implementation PPP Projects by IPFF

Sector	SL	Project Name	PPP Model	Investment ( Million BDT)
Power and Energy	1	Three 22 MW DoreenPower Generations &System Ltd (2 in Tangail and 1 in Feni)	BOO	3430
	2	11 MW Doreen Power House and Technologies Limited at Mahipal, Feni	BOO	564.3
	3	22 MW Regent Power Limited	BOO	1108.2
	4	Malancha Holdings Ltd.(44 MW Captive Power Plant at CEPZ)	BOO	1919
	5	Malancha Holdings Ltd.(35 MW Captive Power Plant at CEPZ)	BOO	1649

**Source: Ministry of Finance, Bangladesh 2009.**

## Appendix 7

### List of PPP Projects with Technical Assistance of IIFC

Sector	SL	Project Name	PPP Model	Investment (Million BDT)
Power and Energy	1	Meghnaghat 45 MW Power Plant	BOO	21000
	2	Summit Power 33 MW Power Plant	BOO	1250
	3	Summit Uttaranchal Power Company 44 MW Power Plant	BOO	1970
	4	Summit Purbanchal Power Company 66 MW Power Plant	BOO	3000
	5	VERL 34 MW Power Plant at Bhola	BOO	1200
	6	BEDL 51 MW Power Plant at Sylhet	BOO	1830
	7	34 MW Malancha Holdings Power Plant at Dhaka EPZ	BOO	1650
	8	Shah Cement 11.6 MW Power Plants	Captive PowerPlant	590
	9	Thermax Trade Limited CNG Refueling Station	Under License from Petrobangla	55
	10	Haripur 360 MW Power Plant	BOO	16280
	11	Khulna 110 MW Power Plant	BOO	5000
	12	Haripur 115 MW Barge Mounted Power Plant	BOO	5350
	13	Westmont Baghabari Barge Mounted Power Plant	BOO	5950
	14	Three 22 MW Doreen Power Generations & System Ltd(2 in Tangail and 1 in Feni)	BOO	3430
	15	11 MW Doreen Power House and Technologies Limited at Mahipal, Feni	BOO	564.3
	16	22 MW Regent Power Limited	BOO	1108.2
	17	Malancha Holdings Ltd.(44 MW Captive Power Plant at CEPZ)	BOO	1919
	18	Malancha Holdings Ltd.(35 MW Captive Power Plant at CEPZ)	BOO	1649
	19	Ashulia 45 MW Power Plant	BOO	2090
	20	Narsingdi 35 MW Power Plant	BOO	1420
	21	Chandina 25 MW Power Plant, Comilla	BOO	1120
	22	Jangalia 33 MW Power Plant, Comilla	BOO	1400
	23	Rupganj 33 MW Power Plant, Narayanganj	BOO	1260
	24	Maona 33 MW Power Plant, Gazipur	BOO	1400

Sector	SL	Project Name	PPP Model	Investment (Million BDT)
Renewable Energy	25	IDCOL Solar Energy Program	Implemented by NGO and Private Sector	20060
	26	National Domestic Biogas and Manure Program		2150
	27	250 KW Biomas Gasification Based Power Plant	Under a License from BERC	25
	28	50 KW Biogas Based Power Plant	Under a License from Government	5
Port and Communicat ion	29	Panama Hilli Land Port	BOT	180
	30	Panama Shonamasjid Land Port	BOT	200
Tele-Commu nication	31	Grameen Phone Network Expansion Project	Under a License from BTRC	45340
	32	Pacific Telecom Network Expansion Project		21560
	33	Ranks Tel PSTN Project		2300
	34	DNS Satcomm Satellite Earth Station Project		160
	35	BanglaTrac International Communication Gateway Project	Under a License from BTRC	670
	36	M & H Telecom Interconnection Exchange Project		660
Information Technology	37	Shoanchalok ICT Program	Implemented by some banks and Financial Institutions	500

**Source: Ministry of Finance, Bangladesh 2009.**

## List of Maps

**Position of Bangladesh in the world:**



**Satellite picture of Bangladesh:**





# Map of Bangladesh:



Map No. 3711 Rev. 2 UNITED NATIONS  
January 2004

Department of Peacekeeping Operations  
Cartographic Section

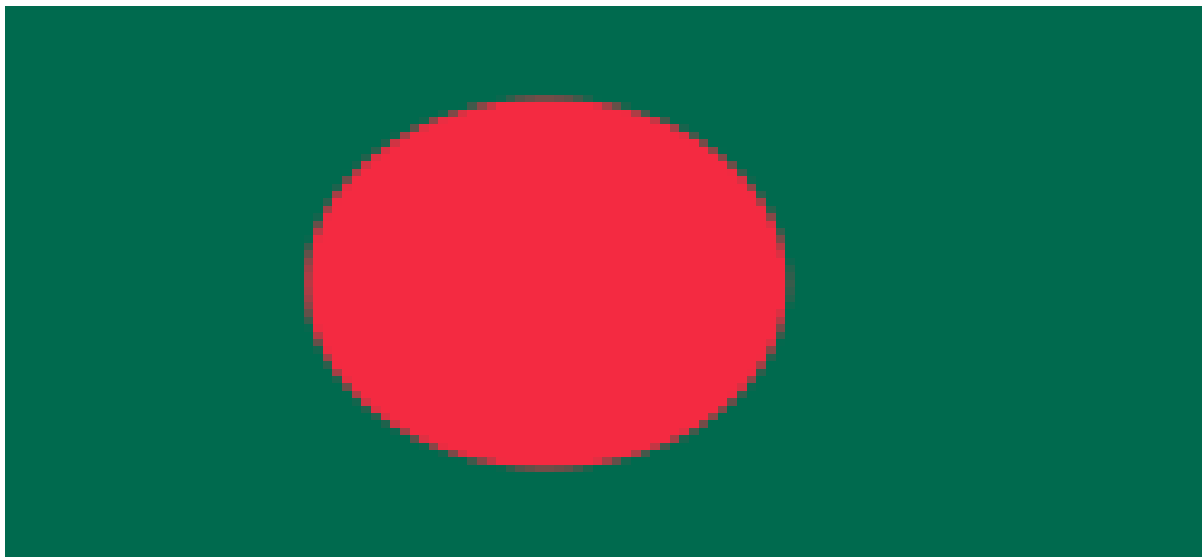
## Position of Bangladesh in South Asia:



**Emblem of Bangladesh**



**National Flag of Bangladesh**



# Glossary

(Definitions are extracted from dictionaries, encyclopedias' and different articles)

**Accrual system of accounting-** When income is earned and expenses are incurred and incorporated in accounting system is accrual basis of accounting.

**Aid-**Financial, material and technical help to other.

**Balance sheet-** Statement of financial position i.e. amount of equity, liabilities and assets of an institution at the end of the certain period of time at a particular time point.

**Beneficiaries-** Users of the projects.

**Bottlenecks-** A narrow place where the flow of production is constricted is bottlenecks.

**Capital expenditure-** It is long term investment to buy fixed assets or to add value of an existing fixed assets.

**Capital gap-** The difference between the capital needed for development, expansion and running the job and the capital retained in hand.

**Capital investment-**Firm's investments to its current funds in the long-term assets in anticipation of an expected flow of benefits over a series of years.

**Cash basis of accounting-** When income is received and expenses are paid and incorporated in accounting system is cash basis of accounting.

**Collective bargaining agents-** Representatives of employees for negotiation between employers are collective bargaining agents.

**Communist bloc-** The term Communist bloc refers to Former communist states of Eastern or Central Europe.

**Competitive bidding-** It is the process of procuring something through tender.

**Corporate governance-** It is set process and policies of directing and controlling the corporation.

**Corporate social responsibility-** It is built-in, self-regulating mechanism whereby business monitors and ensure compliance with the spirit of law, ethical standards and international norms.

**Corporate tax-**Tax paid by the company for its earning at the end of accounting period for one year.

**Cost of capital-** The minimum required rate of return expected by investors for providing funds to a business. It is the minimum rate of payments from the part of business against raising funds and the minimum rate of receipts from the part of supplier's funds.

**Cost-effective approach-** The process of getting gain in cheaper, smaller, faster and smarter way is the cost effective approach.

**Decreasing trend-** The putative tendency of an economy to move lower in a particular direction of time is decreasing trend.

**Devaluation-** The depreciation or fall in the value of a currency.

**Economic growth-** The expansion of production possibilities from capital gathering and technological boost up.

**Economics of scale-**Lowering the cost of output as the fixed cost added over more units.

**Election manifesto-** Strategic direction and outlines for future activities of political parties at the time of election.

**Estimate-** It is a calculated approximation of result.

**FDI-** Foreign direct investment occurs when a company makes an investment in a foreign country to join force with a company in the host nation to develop a business venture.

**Feasibility study-** It means analyzing the strength, weakness, threats and opportunities of a project and the resources required to carry through and the prospects for success.

**Financial risk-** Risk related to using of fund for forming and running business operations or making investments by a particular party that is under the control of that party.

**Financing gap-** It is the difference between the available capitals in hand for invest the required capital.

**GDP-** The value of all final goods and services produced in a economy within the year.

**GO-NGO partnerships-** The partnerships that often coordinated by NGOs and funded by government.

**Good governance-** To guarantee the realization of human rights the process of public institutions to conduct public affairs and to manage public resources.

**Grants-** Consent to fulfill the financial, material and technical demand of other.

**Growth rate-** The amount of GDP increased by every year is growth rate.

**Inflation-** If money supply is high and general price level is rising in the economy, inflation is said to exist.

**I-PRSP-** Interim-Poverty Reduction Strategic Paper is prepared in order to reduce the poverty of a country and to gain debt relief.

**LDC's-** Least developed countries are those which have the lowest indicator of socioeconomic development and three years average Gross National Income per capita is less than \$905.

**Market leader-** The business which has largest market share and can influence other to maintain the position is market leader.

**Money supply-** The money supply is the total amount of money that circulates in the economy.

**Motivation-** Satisfied the need of any one is motivation.

**Motivational factor-** Psychological process and hidden loyalties that can influence is motivational factor.

**Negotiation-** It is a form of communication where participants make agreements on each other's requirements.

**New public management-** Outcome and efficiencies through better management is NPM.

**Operating expenditure-** Amount spent on running the business on a day-to-day basis.

**Outsourcing-** Contracting out of business function.

**Paradigm shift-** Assumptions from theories changes with a framework or standard of analysis.

**Payback period-** Number of years it will take for the cash benefits to pay the original cost of investment. The payback period can be computed by dividing cash outlay by annual cash inflow.

**Per capita income-** Total output or income of a country is divided by the total number of people is per capita income.

**Plough back capital-** Net profit after Income tax, interest, dividend that added with the opening capital.

**Political accountability-** Comprehensive agenda and responsibility to hold local community is the political accountability.

**Political barriers-** Obstacles by political parties against opponents are political barriers.

**Privatization-** Transferring public sector resources to the private sector is privatization.

**Projects-** A planned or long term task undertaken as a course of action is project.

**Quota-** The way of reducing imports is to place a physical limit on the amount allowed into the country is quota.

**Real cost-** The real cost is the amounts actually pay for the purpose.

**Recession-** A decline in economic activity and prosperity is recession.

**SAARC-**South Asian Association for Regional Cooperation is an organization of South Asian nations founded in 1985.

**Sine qua non**- It is an essential condition.

**Situational risk**- Risk arises from circumstances and can be minimized by intellectual decision.

**Social obligations**- It is an ethical ideology to act for the benefit of the society.

**Social safety net**- It is the program to prevent the poor or vulnerable from falling below a certain poverty level.

**Spread the risk**- As risk cannot be avoided completely; the best strategy to recognize it formally, measure as best as possible and the make choices based on decisions.

**Subcontract**- To perform a specific task of a part of overall project is subcontract.

**SWOT analysis**- It is a method to evaluate strength, weakness, opportunities and threats.

**Tax holiday**- It is temporary reduction or elimination of taxes.

**Tender**- It is an offer to buy out something.

**Transit**- The process of going over a distant place is transit.

**Transparency**- It is policies, practices, and procedures to get information of any authority.

**Value for money**- It means whether or not the entity has obtained the maximum benefit from the resources it acquires.

**White elephants**- To subsidize the western companies, the western government placed orders and shipped goods to the poor countries which often had no use of those goods are sometime called white elephants.

**Whole life cost**- It is the total cost of ownership over the life of an asset.

**Win-win situation**- The wining situation of both parties at the time of negotiation is win-win situation.