3 Structuring a PPP: Sector Diagnostic and Sector Road Map

3.1 Requirements and Expectations

PPPs can follow a variety of structures and contractual formats (which are described in chapter 4). However, all PPPs incorporate three key characteristics:

- a contractual agreement defining the roles and responsibilities of the parties,
- sensible risk-sharing among the public and the private sector partners, and
- financial rewards to the private party commensurate with the achievement of prespecified outputs.

PPP is one tool available to decision makers in reforming infrastructure or service delivery. It is most effective when it is accompanied by other reform activities to underpin and reinforce the PPP and to support sustainable improvement. A successful PPP is designed with careful attention to the context or the enabling environment within which the partnership will be implemented. Where the operating environment can be reformed to be more conducive to the goals of PPP, this should be accomplished. Where elements of the operating context cannot be changed, the PPP design must be tailored to accommodate existing conditions.

Thus, in designing a PPP process and selecting a form of PPP, it is important to consider the reform objectives; policy environment; the legal, regulatory, and institutional frameworks; financing requirements and resources of the sector; and the political constraints and stakeholder concerns. PPP will be an effective tool to address some, but probably not all, sector issues.

To be successful, PPPs must be built upon a sector diagnostic that provides a realistic assessment of the current sector constraints. Specifically, the sector diagnostic will cover:

- technical issues;
- legal, regulatory, and policy frameworks;
- institutional and capacity status; and
- commercial, financial, and economic issues.

The sector diagnostic helps the government assess the status quo, identify gaps and weaknesses, and develop a sector reform strategy or road map, outlining the tools and activities required for reform. In many cases, reliable or comprehensive data on performance are not available in every area, such as financial or technical areas. In those cases, it may be more efficient to focus on the collection of limited, but key, indicators which provide an overview of the overall performance of the sector.

The sector diagnostic is likely to be performed with the support of a team of local and/or international engineers, lawyers, economists, financial analysts, and policy and transaction specialists. The diagnostic is critical to getting the transaction structure right, so allowing sufficient time for the process is important. Depending on the complexity of the sector, the availability of data, and the consultant procurement process, the sector diagnostic can take from 1 to 2 years.

A critical part of the diagnostic is a process of stakeholder consultation and identification of a government champion to drive the process into preparation and implementation.

As a result of the sector diagnostic, the government is able to determine to what degree an enabling environment exists for PPP and what activities are required in advance of PPP to create such an environment. The diagnostic is important to: (i) identify the strengths and weaknesses of the sector and the most promising areas for efficiency increases, (ii) regularly gauge and report on the progress of reform, and (iii) tweak the reform program as needed.

The sector diagnostic leads to development of a road map and a sequence of PPP activities as can be seen in Figure 2, which describes the components of the sector diagnostic.

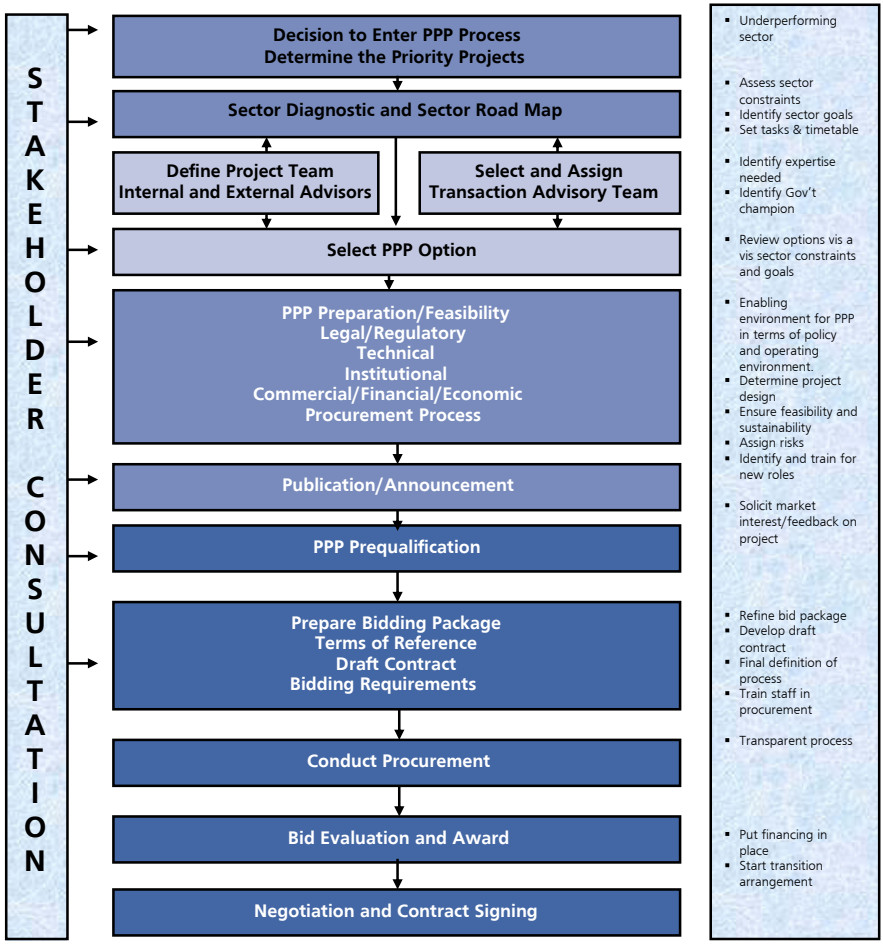
3.2 Technical Issues

Under this stream of analysis, the government should assess current technical constraints in the sector to be reformed (to the extent they are known) including system efficiency, utility operations, and responsiveness to customers. It should determine the degree to which operational issues are a result of underinvestment, poor investment planning, maintenance, ineffective management, lack of operational expertise, or other issues.

Investments underway and investments planned, as well as existing assets, should be catalogued—to the degree that this information is relevant to the reform and can be obtained in a cost-effective manner.

The analysis needs to take into account connectivities, links, and interdependencies of various infrastructure elements (e.g., electricity generation vs. distribution, connectivity of

Figure 2: Generic PPP Project Sequence



Source: Heather Skilling. 2007.

transport modes, validity of tickets/billing across transport modes, technical standards to be followed, etc.).

3.3 Legal, Regulatory, and Policy Frameworks

The diagnostic should cover the existing legal, regulatory, and policy frameworks including:

- applicable laws, and existing regime for assigning authority and setting performance standards;

- oversight arrangements, regulatory bodies, regulations;
- major sector institutions and government entities related to the sector;
- tariff and subsidy policies and arrangements;
- existence and applicability of legally mandated service quality standards;
- natural resource safeguards and management requirements important to sector performance;
- environmental and health regulations;
- relevant labor laws and regulations; and
- limitations on foreign ownership/sector participation, foreign exchange restrictions, and limitations on repatriation of profits, i.e., foreign investment laws.

In particular, the regulatory regime may have to be reformed and/or regulatory bodies created to facilitate a shift from purely government-provided services to the private provision of services.

Enabling legal, regulatory, and policy environments are critical to a sustainable PPP. At a baseline level, a legal environment that can support private sector involvement in critical services is needed. The legal environment has to minimize the likelihood of corruption and must be sufficiently reliable as to encourage private participation and investment. To the degree that the legal and judicial environment is not defined, investors and project participants will see the project as unpredictable and highly risky. See Box 1 for the case in the PRC.

Equally, possible investors must have confidence that the laws and the contract will be respected and can be enforced in the courts or through arbitration, if necessary.

The framework for economic regulation must be equally explicit. This may entail creating an independent regulator, a regulatory unit within a part of government, or another form of regulatory capacity. It can also be effective to embed regulatory principles within the contract and the external capacity required is limited to an effective monitoring capacity and audit of performance outcomes. Highly specific contract terms that establish duties, performance targets, tariff level and structure, rules for changing tariffs, and dispute resolution procedures, allow the private sector to better predict the profitability of the venture and decide what the contract is worth bidding for. The basic principle is that the level of service demanded and the costs of those services must be equitably balanced, while creating incentives for improved efficiencies in the system.

3.4 Institutional Structures and Capacity

PPPs require a range of stakeholders within and outside government to take on new roles or perform existing roles in improved ways. Often, new entities are created, such as regulators

Box 1: Impact of Legal and Regulatory Uncertainty on Build–Own–Transfer Wastewater Schemes in the People's Republic of China

At this stage, the People's Republic of China does not have overarching privatization legislation. Instead, its build–own–transfer (BOT) schemes and other public–private partnership (PPP) reform strategies are governed by a series of government policy papers.

Developing a BOT wastewater scheme is complicated, requiring consideration of issues ranging from land use to the management of water companies, from investment mechanisms to taxation, accounting systems to credit policies of development banks. And the fact that existing policies on land use, taxation, and such considerations are not geared for the sector makes things more difficult.

In the case of the 16 Foshan Wastewater Treatment Plants, over 50% of the projects could not be implemented because they conflict with current land use policies.

Source: Dueñas, Ma. Christina. 2007. *Country Water Action: People's Republic of China, Private Funds for Cleaner Water—BOT Applied in the Chinese Wastewater Sector*. February. This article, written by the Asian Development Bank (ADB), was based on the paper prepared by Lijin Zhong from Tsinghua University's Department of Environmental Science and Engineering and Tao Fu from Wageningen University's Environmental Policy Group.

or PPP units, to manage the process. Government must ask a series of key questions to understand the institutional requirements of the reform strategy. These questions might include:

- Are the institutional and legislative frameworks in place to support sector improvement and PPP, in particular? What are the impediments according to the ministry, users, and utility?
- Do the level of autonomy and accountability of stakeholders match their proposed obligations?
- Are the relevant levels of government prepared to relinquish or revise their roles?
- Are the relevant levels of government prepared to delegate some control to private partners within defined policy and regulatory parameters?
- Does each institution have the funding, staff, training, and equipment required to discharge its functions?
- Does each institution understand its role and know how to develop the procedures for accomplishing this role?
- Is there a key stakeholder—i.e., a champion—with the capacity and the political will to lead and drive the reform agenda forward?

These institutional roles must be clarified at the latest by the time the PPP process is complete. However, the greater the degree of uncertainty about institutional roles during the PPP process, the higher the level of perceptive risk is likely for potential investors. At the same time,

there must be some flexibility to refine and update institutional roles as the sector evolves and matures. Increasingly, as decentralization takes root, governments have the additional burden of determining at what level of government each role is best performed.

In the institutional analysis, it is important not to overlook the capacity to support bidding, negotiation, and contract compliance and monitoring. Governments may have unrealistic expectations of the ability of their own organizations in that respect. The stages of the procurement process are discussed in detail in chapter 7.

3.5 Commercial, Financial, and Economic Issues[7]

As part of the diagnostic assessment, the current commercial, financial, and economic arrangements and outcomes of the sector should be understood and assessed. This understanding of the current scenario informs decisions about the desired sector outcomes and how these might be achieved.

Commercial considerations relate to the business orientation of the infrastructure service provider which may become a partner in the PPP. In preparation to a PPP, preliminary improvements to the billing system, customer database, the status of receivables, and funding arrangements may be necessary. These may be needed to understand fully or to improve the financial position of the service provider prior to entering into a PPP.

Financial considerations relate to the design of detailed and realistic pricing (including customer tariffs, off-take agreements, etc.) strategies. The objective is to provide affordable services, encouraging use, while providing the private partner with revenue sufficient for commercially viable operations. Sometimes, the government's provision of financial support through investment contributions or other forms of "viability gap" support or even ongoing subsidies can achieve this balance.

A key tool to support the analysis is a financial model. To develop a financial model, the modeler has to review available data, ensure that consistent assumptions support all inputs to the model, identify key points of sensitivity, and continually challenge and update critical assumptions and results through ongoing review as the transaction develops.

1. The first step in financial analysis and modeling is the collection and analysis of historical data, including financial as well as organizational (e.g., employment levels), operational (e.g., volumes produced and invoiced), and technical (e.g., types and capacities of operational assets) information. Data required would include:

- audited financial statements as well as any current financial reports (unaudited) and plans/budgets;

- tariff schedules—historical and current;
- employees—numbers and types (e.g., operating, administrative, permanent, contract)
- database of customers;
- debt schedule and cost of capital;
- schedule of operating assets (information regarding production capacities, historical production volumes, operating costs); and
- details of any ongoing and planned capital investment programs.

2. In addition to sector-specific data, gathering critical macroeconomic (e.g., inflation rates, historical gross domestic product, exchange rates, and interest rates) and demographic (population growth rates) information is important. These macroeconomic and demographic data are needed to project such key elements as demand, required tariff adjustments, operating costs, revenues, investments, and debt service.

3. Financial model structure. The financial model is generally constructed in a standard spreadsheet program (such as Excel) and includes worksheets for the following:

- Inputs and assumptions such as:
  - economic data (inflation, tax levels, etc.);
  - construction data (construction costs and investments coming on stream over time, etc.);
  - ongoing capital expenditure (both maintenance and growth related);
  - funding levels and types (equity, credits, bonds, subsidies, etc.);
  - financial data (such as the terms of the financing instruments); and
  - operational data (operational cost, demand forecasts, toll rate, transfer prices, etc.).
- Sheets with cash-flow statement, profit and loss account, and balance sheet of the project company.
- Results and summary sheets. These sheets demonstrate the results on the project's cash flow of different assumptions. These results are typically illustrated in the form of financial indicators such as:

  Project Internal Rate of Return (or Project IRR)

  This represents the return of the project regardless of the financing structure. The project's internal rate of return (r) is calculated from the following equation:

$$\sum \frac{Ri - Ii - Ci}{(1 + r)^i} = 0$$

  Where:
  - Ri is the operating revenue at year i.
  - Ii is the amount invested at year i.
  - Ci is the operating cost at year i.

An attractive IRR would be high, preferably above 7–8% in real terms, depending on countries and financial markets. (An appropriate IRR, in real terms—which takes into account country- and sector- or industry-specific factors as well as risk expectations—should be achieved. For many potential investors in a PPP, an Equity or Geared IRR will be used to assess their own investment case).

Return on Equity (or Project ROE)
This calculation shows the return to shareholders who receive dividends. The IRR (r) on equity is calculated according to the following equation:

$$\sum \frac{Di - Ii}{(1+r)^i} = 0$$

Where:
- Di is the dividend at year i.
- Ii is the amount invested by the shareholders at year i.

The project is profitable for the shareholders when r is high.

Annual Debt Service Coverage Ratio (ADSCR)
This represents, for any operating year, the ability of the project company to repay debt. This ratio is calculated as follows:

$$ADSCRi = \frac{CBDSi}{DSi}$$

Where:
- CBDSi is the cash flow before debt service at year i (the cash remaining in the project company after operating costs and taxes are paid).
- DSi is the debt service remaining at year i (principal and interests).

The project may be considered viable for lenders when ADSCR is greater than one for every year of the project life. This means that if project revenue is below what was forecast in the financial model at year i, the project company should still be able to repay debt. Generally, the minimum ADSCR should be greater than 1.1 or 1.2.

Loan Life Debt Service Cover Ratio (LLCR)
This ratio shows, for any one operating year, the ability of the project company to accommodate an occasional shortfall of cash, leading to its inability to repay the debt during the last years of the project. This ratio is calculated as:

$$LLCRi = \frac{NPV\ (CBDSi \rightarrow end)}{DSi \rightarrow end}$$

Where:

- NPV(CBDSi-end) is the net present value of the cash flow before debt service from year i to the end of the debt repayment period.
- DSi-end is the total of debt service remaining at year i (principal and interests).

The project is estimated viable for the lenders when the LLCR is high for every year of the project life. This means that the project company should be able to repay the debt despite a period of cash shortfall.

Net Present Value (NPV) of Subsidies

If a project is subsidized over several years, the net present value of these payments gives the real amount of subsidies as if they were paid in a lump sum at present year, neutralizing the effects of inflation. Calculating an NPV requires a parameter called "actualization rate" or discount rate, which has a considerable effect on the result. The actualization rate must be chosen carefully.

4. Uses of the Financial Model: The financial model simulates the financial results of the project by demonstrating anticipated cash flow under different scenarios. The model reflects assumptions made about risks (and the associated cost of capital) and allocation of risks. It enables decision makers to make informed choices about the project structure and the operating environment, including the impact of different tariff (price) and subsidy levels and different coverage targets. The information yielded by a financial model allows decision makers to understand how lenders, partners, and consumers may perceive the project.

The model can simulate overruns in construction costs, changes in operating costs, changes in projected demand, or changes in inflation or interest rates. The financial model is used throughout the PPP process (see chart on the PPP project sequence) to continually assess the impact of different pricing, financing, and service scenarios; and to update or ratify decisions about project structure.

The financial model is also used frequently to evaluate proposals made by potential private partners and can be used to monitor performance once the project is underway.

The model should be accompanied by a manual that sets out the structure and how to use the model, and lists the assumptions used in the model.

Economic considerations relate to the overall cost/benefit analysis of the proposed PPP and its projected impact on the sector. While this analysis begins in the diagnostic stage, it continues throughout the PPP process as an iterative analysis of the PPP structure as it evolves.

There should be analysis of the financial flows within the sector, the financing gaps, and the commercial results. Where the sector is falling short of government and consumer expectations, an agreement should be reached to establish realistic financial expectations of stakeholders.

Relevant questions in diagnosing the issues and strategy for the sector include:

- To improve the financial health of the sector, is the immediate priority to increase operational efficiency or to attract funding?
- Does the government commit to recover costs in the sector? Is government prepared to allow tariffs to increase to achieve this, or is financing available for subsidies?
- How is cost recovery to be defined and over what time line is it to be achieved?
- Is the sector willing and able to provide subsidy to the consumer or operator for a certain period?
- Is it confirmed that consumers are willing and/or able to pay more?
- Is there a fundamental flaw in the tariff structure and levels that needs to be addressed?
- Are tariffs being adjusted prior to PPP?
- Are the commercial procedures in the sector prudent (i.e., is there an accurate customer database? Are bills correct and timely? Are bills easily understood and promptly paid? Are illegal connections/theft a problem?)

This analysis pinpoints the critical constraints to creating a financially sustainable sector and helps identify the activities and interventions that might be required to remove those constraints.

3.6 Stakeholder Consultation

Despite the long experience with PPPs, they remain controversial among a range of stakeholders. This is partly attributable to the diverse range of stakeholders involved in the process and the difficulty in reconciling their interests and concerns. In addition, too often the stakeholders have not been properly consulted or engaged in the process. Consultation is increasingly seen as important for several reasons:

- Inadequate consultation or communication with stakeholders increases the danger of opposition, potentially late in the process, leading to delays or even cancellation.
- Furthermore, the stakeholders are critical to the sustainability of a PPP. Even if the contract is awarded despite opposition, the difficulty and risk of the project increase drastically if public support is not present.
- Stakeholders provide valuable input to the design and practicality of an approach. Allowing stakeholders to comment on PPP strategies allows for a sense of buy-in and can lead to innovative approaches.

- Broad public support and understanding of the reform agenda encourage politicians to stay committed.
- Dissemination of information leads to increased credibility of project partners.

Despite these compelling reasons, some governments see risk in public consultation either through the danger of raising expectations that may not be met, through losing control of the flow of information, through the danger of being unable to reconcile differences, or because information might fuel opposition. These risks are easily outweighed by the benefits of communication and the crucial role it plays in building support for, and understanding of, PPP.

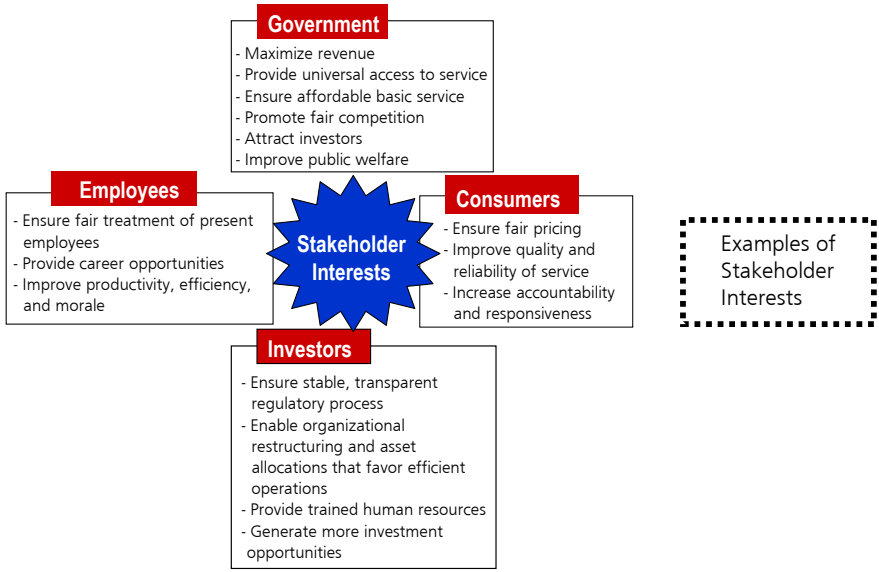
Each role is critical, yet specific stakeholders will have different interests that influence how they approach their role. There must be a consultation process to reconcile and prioritize issues, leading to broad agreement on the objectives of PPP. Table 2 lists the roles of the PPP process stakeholders and Figure 3 illustrates their interests.

Table 2: Role of Different Stakeholders in the PPP Process

Stakeholder	Role
Political decision makers	Establish and prioritize goals and objectives of PPP and communicate these to the public Approve decision criteria for selecting preferred PPP option Approve recommended PPP option Approve regulatory and legal frameworks
Company management and staff	Identify company-specific needs and goals of PPP Provide company-specific data Assist in marketing and due diligence process Implement change
Consumers	Communicate ability and willingness to pay for service Express priorities for quality and level of service Identify existing strengths and weaknesses in service
Investors	Provide feedback on attractiveness of various PPP options Follow rules and procedures of competitive bidding process Perform thorough due diligence resulting in competitive and realistic bidding
Strategic consultants	Provide unbiased evaluation of options for PPP Review existing framework and propose reforms Act as facilitator for cooperation among stakeholders

Source: Heather Skilling and Kathleen Booth. 2007.

Figure 3: The Range of Stakeholder Interests in PPPs



Source: Heather Skilling and Kathleen Booth.2007.

For stakeholders to play an active role in the PPP process, they must be given not only a forum for participation but also the information they need to participate effectively.

The appropriate forum to communicate and build support for PPP is through an iterative dialogue with stakeholders. Each communications program must be tailored to the local context and PPP, but would include some or all the components below:

- **Opinion research**: Opinion research gathers data on stakeholders, their perceptions, and behaviors with respect to the issues concerning a specific PPP. The research influences the content and media of the communications program as well as the reforms themselves. The research is conducted on a relatively formal basis through questionnaires, polling, etc.
- **Stakeholder consultation**: Consultation is a less formal process through which themes and policies of interest are discussed within or across stakeholder groups. It is intended to gather information and build an understanding among the reformers as to current perceptions and understanding and the basis of those opinions. A key part of stakeholder consultation is to manage expectations with respect to how feedback will be incorporated into the reform process; that is, the feedback may not translate into direct change in the PPP design or process but will be one stream of influence. This might be accomplished through focus groups or stakeholder discussion groups.

- **Public awareness**: Public awareness efforts are aimed at a broad range of stakeholders and designed to increase general awareness of an issue. This is a proactive distribution of information that will help inform public reaction to PPP. This might be done through TV, radio, town meetings, and newspapers. See Box 2 as an example.
- **Public education**: Public education is the process of providing stakeholders with the tools and information required to increase understanding of an issue or to take on a new role. This is a more specific and detailed program than public awareness.

Communication activities have to begin early in the process and continue through to closure and even during implementation. The project structure should incorporate mechanisms to ensure ongoing communication with the public and customers.

The communication program associated with PPP has to occur not only at all stages of PPP, but on several levels: at the policy or key decision-makers' level, the level of the enterprise, among the stakeholders specifically affected by a PPP, and among the public at large as needed.

Box 2: Promoting Transparency—The Case of Manila Water (Philippines)

To build support for introducing Private Participation in Infrastructure (PPI) in water and wastewater services in Metro Manila, the Government of the Philippines embarked on a comprehensive strategic communications program that included among its objectives the promotion of transparency in the PPI transaction. To educate the public on the measures being taken to ensure transparent procurement, the Government launched a media campaign months before the bidding process to explain the process and the precautions being taken. Because public procurements in the Philippines are commonly subject to protests, congressional inquiries, and graft investigations, the media campaign focused strongly on the elaborate security measures used to protect the integrity of the bids. In addition, it highlighted the objective nature of the evaluation process, which did not award points for the quality of the technical approach. To ensure that media was informed about the bid process, the Government also prepared a video presentation regarding the rules for bidding and the procedure for opening bids, which was open to the public.

The high-profile communications and public relations efforts of the Government resulted in strong media coverage of the bid process. It did not produce the controversy or opposition experienced during prior public procurements. The Philippine Government attributes the project's success largely to the design of a transparent procurement process and to the perception among stakeholders (developed because of the media campaign) that the process was transparent.

Source: Dumol, Mark. 2000. *The Manila Water Concession: A Key Government Official's Diary of the World's Largest Water Privatization.* Washington, DC: World Bank.

3.7 Clear Sector Strategy and Road Map

The diagnostic assessment of the sector yields information to develop and inform targeted, specific, and realistic sector strategy and road map to achieve improvements, through PPPs and other interventions. The strategy and road map provide clarity and certainty about the operating environment to private sector operators—a prerequisite for sizable investments and long payback periods inherent in infrastructure projects. Sector strategies may rely on breaking down service functions, e.g., between power generation and distribution—resulting in complex linkages that need to be defined before a PPP can realistically be implemented.

The resulting comprehensive sector strategy and road map will set out the initial timetable and action plan for:

- strategic planning,
- organizing and managing the process,
- collecting additional information,
- defining objectives,
- resolving constraints,
- defining scope,
- selecting options,
- identifying partners,
- financing for investment,
- cost recovery strategy,
- regulatory strategy,
- finalizing the terms of the partnership,
- tendering and procurement,
- negotiating and contracting,
- managing the contract,
- monitoring and evaluation,
- managing disputes, and
- managing transitions.

Using the results of the analysis outlined in sections 3.1–3.5, the PPP road map will more specifically describe the high-level action plan for:

- Technical
  - defining and documenting the desired technical outcomes of the partnerships,
  - defining the correct metrics for measuring improvement,
  - defining the necessary investments for achieving improvement,
  - developing the procurement plan and process for achieving the investments, and
  - defining and documenting the expected improvements which do not require major investment.

- Legal, regulatory, and policy frameworks
  - creating a policy framework for PPP activity and regulation;
  - establishing a process to make the legal reforms needed to reduce impediments to improved/expanded service such as assignment of responsibility for development, control, financing, regulating, and managing infrastructure assets;
  - establishing a process to make any realistic legal reforms needed to overcome potential constraints to PPP including limits on assets ownership or management, repatriation of resources, and barriers to cost recovery;
  - establishing a process to enact the regulatory requirements of the PPP including monitoring of service obligations, compliance with service conditions, consumer protection, tariff regulation, and asset management;
  - developing a PPP process that is consistent with the legal and regulatory regime; and
  - developing PPP legislation that seeks to address perceived gaps in the legal and regulatory frameworks.

- Institutional and capacity status
  - assigning the appropriate level of authority to each institution in the sector;
  - creating new institutions such as regulators, which might be required;
  - educating each institution on new roles and training staff to perform new functions;
  - developing the manuals, procedures, standards, and other tools required to implement new functions; and
  - providing technical assistance for transition periods.

- Commercial, financial, and economic issues
  - agreeing with stakeholders on the economic balance of costs and benefits to be achieved in sector reform,
  - designing a PPP plan to achieve these sector results, and
  - developing a financing plan for PPP that is realistic for the market and is commercially viable and sustainable.

The road map provides the context, sets out how a proposed PPP is expected to help achieve sector goals, and describes the steps to be taken to prepare for and implement PPP. A well-defined road map and a well-managed process provide a degree of certainty and reassurance to all participants. The road map and PPP process will incorporate a timetable that should be adhered to as closely as possible. Decision makers and participants must be made aware of key dates and milestones. The PPP process as implemented against the road map is described in the subsequent chapters.

The road map and the activities it encompasses must be subject to continual updating. As the transaction evolves and is further defined, the specific requirements for implementation become clearer and required activities can be outlined in detail.

3.8 Clear Government Commitment and a Designated Champion

The private sector will expect government to be a competent partner in discharging its obligations in terms of policy and reform planning, project development, and contract oversight. It will also expect that the government has established the appropriate legal and other frameworks to set targets, monitor progress, evaluate progress, report progress, enforce the contract provisions, and handle disputes. A detailed road map helps manage expectations in that regard, and allows the actual performance of the government to be monitored and measured.

The government's commitment to the strategy is demonstrated in several ways: through a public statement of the reform strategy and expectations of PPP; through stakeholder consultation and transparency of process; through the provision of adequate funding and support for the process; and through the appointment of a powerful champion, or driver, for the process. The champion is an individual or unit that is accountable for progress, is a focal point for public communication and information, ensures that appropriate attention is given to the main issues, works with various parties to achieve cooperation/ consensus, and leads the government toward decisions. The standing, credibility, and strength of mandate of the PPP champion are strong indications of the true commitment of the government to the PPP project.

Political changes and powerful vested interests can all constrain the PPP process. The government has to set out the case for PPP in a convincing and transparent manner, anticipating concerns and questions. In this way, broader support for PPP can be earned, able to withstand shorter-term political pressures.

Of course, popular support for PPPs is ultimately gained through results—in terms of improved service and reasonable costs. Government has to be seen as advocating the process that will be accountable to the people and provide benefits.