

A Study on Preparedness for Public-Private Partnerships (PPPs) Financing in Bangladesh

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Abstract: Governments around the globe have faced increasing demands for modern, efficient and high quality public services. Given the magnitude of demand, in order to meet these challenges, a growing number of governments have ventured into Public Private Partnerships (PPPs). Yet, this new venture has raised the importance of the role of financing in developing countries like Bangladesh, which has not been examined. An empirical study will assist to investigate the preparedness for PPP financing and its implication on the public service provision as a policy tool. This study highlights preparedness for PPPs initiatives since its inception in Bangladesh. Both qualitative and quantitative methods had been applied in materializing this study. Institutional, financing and regulatory frameworks are found enormously supportive to Bangladesh's PPP initiatives. Considering the broad perspective based on investment climate, Bangladesh is found challenging somewhat for PPP venture. However, the perceptions from the people working in the Ministry and implementation agencies are rather conservative. The major issues those require substantial effort from the government in securing PPP prepared position include political commitment in successive government, financial arrangement for large projects, legal and regulatory framework, economic and financial viability of the PPP project, knowledge and skills in dealing with PPPs and land acquisition & resettlement program.

1.0 Introduction

The fast-changing policy environment because of globalisation, deregulation and economic crisis has increasingly led governments to recognize the important role of the private sectors. Moreover, budgetary constraints in the public sector have led to general agreement about the

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necessity of preparation of financial arrangements in public-private partnerships (PPPs). PPPs combine the deployment of private sector capital and sometimes, public sector capital to improve public services or the management of public sector assets focusing cost effective risk management and transformation of input based public sector procurement to output based public service delivery (Gerrard, 2001). Accordingly, governments around the world started taking initiatives towards a market-oriented approach in delivering public services. In recent years, there has been a growing appetite for PPPs in emerging economies. Bangladesh, in particular, has taken a clear lead in incorporating this approach as a policy tool for public service delivery and economic development.

Since 1971, Government of Bangladesh has taken several public sector reform initiatives. At the early stage of independence, Government started to play central role and nationalization of large industries took place. Reform efforts during 1972-1975 periods were also aimed at streamlining the public administration by integrating the different categories of civil services, abolishing elitism from the services and making the administration accountable to the political leadership (Azimuddin, 2011). However, changing political power changed the policy focus. During 1976-1982, denationalization initiative started and a coalition of civil and military bureaucrats developed (Maniruzzaman, 1981) (Azimuddin, 2011). Between 1982 and 1990, denationalization effort continued and emergence of private sector was encouraged. During this time, decentralization in the form of amalgamation of local government system and government bureaucracy took place, and greater trust was placed on the administrative elite in the decision making areas especially in the allocation of resources (Azimuddin, 2011). However, reform initiatives under democratic period after 1990s was not far from earlier but it got new insights, where administrative change and development in the light of New Public Management (NPM) were emphasized (Azimuddin, 2011, Sarker, 2004, Alam, 2006). Privatization of public enterprises, contracting out of public service, professionalism, performance standards, citizen's charter, market-based salary structure, devolution of authority of local governments, e-governance, and combating corruption reflected the spirit of NPM (Sarker, 2004).

Policy makers of democratic governments after 1990s realized the importance of collaboration with the private sectors. Consequently, several attempts have been initiated to capture the benefits of collaborative efforts. Such as Private Sector Power Generation Policy of

Bangladesh 1996, Bangladesh Private Sector Infrastructure Guidelines (PSIG) 2004, Policy Guidelines for Enhancement of Private Participation in the Power Sector 2008, and finally, Policy and Strategy for Public-Private Partnership (PSPPP) 2010 were introduced for developing and devising collaboration in Bangladesh. Moreover, to boost large scale investment on infrastructure and to keep pace with established PPP structure/process/skills, experiences & principles from other countries especially from India and other PPP leading countries have been transformed to our country context based on differences in socioeconomic, cultural, political and legal systems.

Introduction of collaborative arrangement has made the government flexible and cost conscious, the role of the government has been shifted from rowing to steering and public problems are being addressed through combining resources and expertise of the different segment of the societies (Rizvi, 2005). Thus the government globally is trended toward wide partnership with the private sectors. Australia and United Kingdom are mature in this collaborative arrangement and they have achieved through substantial number of PPP projects implementation in a very good operating environment with sophisticated framework and capacity building (EIU, 2012). Korea, India, Japan, Brazil, Chili and Peru are top-performing countries in this arrangement with strong institutional and regulatory framework but lack some sophistication either in operational environment or capacity building (EIU, 2012). Bangladesh, China, Pakistan, Thailand, Indonesia, the Philippines, Colombia, Costa Rica, Guatemala, Mexico, Panama, and Uruguay are emerging nations in collaboration due to their consistent effort for improving operating environment and developing institutional framework & capacity building, whereas some other countries those lack supportive environment, institutional framework and capacity building are treated as nascent state in Economist Intelligent Unit report of the Asian Development Bank.

Thus, excellent operating environment, sophisticated institution & regulatory framework and exact capacity building are required for developing partnerships. Based on those characteristics, it is possible to offer a strong footage of partnership government/ collaborative government.

1.1 Objectives of the study

This study attempts to address the status of those fundamentals to identify the preparedness of Bangladesh for financing infrastructure through public-private partnership initiatives. Specific objectives of the study are to:

- a. Examine legal, regulatory, institutional, financing framework of public-private partnerships and investment climate in Bangladesh to assess PPPs preparedness in Bangladesh;
- b. Extract perceptions on preparedness of public-private partnerships in both government sector and private sector officials and check whether there are any differences in perception level among organizations; and finally,
- c. Identify obstacles in implementing public-private partnerships projects in Bangladesh context those require both longer term effort and shorter term effort to overcome.

1.2 Organization of the paper

This paper is organized in the following way: Section two gives an overview of public-private partnership initiatives and PPP projects in Bangladesh. Section three deals with deeper understanding on PPP preparedness based on legal, regulatory, institutional & financial framework, investment climate and survey response. Survey responses derive the preparedness ratings based on both public sector and private sector preparedness. Uniqueness of this study remains on analysis where the preparedness was identified from both public sector and private sector context giving equal importance to private sector. Section four draws insights from the previous discussion as results and discussion. Recommendations based on survey response have also been presented here. Finally, section five offers concluding remarks.

2.0 Public-Private Partnerships (Ppps) Initiatives In Bangladesh

Government of Bangladesh, considering the challenges of financing infrastructure projects, adopted the PPP strategies in late 1990s through devising a private sector power generation policy in 1996. Later in 2004, Bangladesh Private Sector Infrastructure Guidelines (PSIG) was issued by the government to boost individual investment in the development and maintenance of infrastructure under public private partnership initiative. Private infrastructure Committee's (PICOM) was dedicated authority

with secretarial support given by Board of Investment (BOI) for PPPs and three government organizations were involved in the project financing and implementation by the private sector under this guideline. The Infrastructure Development Company Limited (IDCOL), a non-banking financial institution was established to facilitate project financing, Investment Promotion and Financing Facility (IPFF), a project under World Bank was established for project financing and the Infrastructure Investment Facilitation Centre (IIFC), a consultancy firm was established for assisting the government with advice on project formulation, design and development. Under this initiative, up to 2009 a total of 27 projects were implemented of which 18 projects were in the power & energy sector, 6 projects in telecommunication sector, 2 projects in port infrastructure sector and 1 project in the information technology sector whose investment amount were ranging from merely 5 million to 45 million BDT (GoB, 2009).

Since 2009, Bangladesh has started a journey towards achieving goal of 'Vision 2021' emphasizing positioning Bangladesh as mid income country within 2021 at Golden Jubilee of Bangladesh's independence. It requires sustained annual growth rate of GDP from 8 per cent by 2013 to 10 percent after 2017 (GoB, 2010). Accumulated capital will act as the major stimulus to growth for which gross investment rate needs to be raised at around 38 per cent of GDP by 2021. More specifically, the private investment will be growth driver which is currently around 18 percent whereas public investment which is currently at around 6 per cent will be restructured in promoting growth and development (GoB, 2010). Thus the focus of the government / national budget since 2009, is on effective public-private collaboration for investment in infrastructure development keeping eye on financing investment deficit of USD 58 billion to achieve 8 percent GDP growth by 2016. The initiatives to involve private sectors under public-private partnerships were articulated in successive year's budgets.

In 2009-2010 budget, TK 2500 crore was allocated under three new expenditure heads: TK 100 crore for PPP technical assistance, TK 300 crore for PPP viability gap funding, TK 2100 crore for creating infrastructure investment fund. During that period decision was taken on setting up an institution for preparation and implementation of PPP budget. Through initiation of PPP budget, Government of Bangladesh has shown its firm commitment toward PPP for the first time.

In 2010-2011 budget, TK 3000 crore was allocated whereas TK 1600 crore has been placed in the 'Bangladesh Infrastructure Finance Fund (BIFF) from earlier budget. Subsequently, Bangladesh Infrastructure Finance Fund Limited (BIFFL), a non banking financial institution was created with the aforesaid fund absorbed as paid up capital.

In 2011-2012 budget, TK 3000 crore was allocated under the following expenditure heads: TK 100 crore for PPP technical assistance, TK 300 crore for PPP viability gap funding, TK 2500 crore for creating additional infrastructure investment fund for BIFFL if needed. Within this budget period PPP office has been established, new policy and strategy and a set of guidelines for project scrutiny and approval procedures are issued and PPP unit has been created in Finance Division with the responsibility of managing government support in the form of fiscal and non fiscal incentives. However, Efficiency enhancement and capacity building for different ministries/ divisions were identified as requirements for successfully and speedy implementation of allocated budget.

In 2012-2013 budget again TK 3000 crore has been kept aside for supporting probable investment in PPP projects. A lot of initiatives have already been completed. The most notables are capacity building of the officials in different Ministries/ Division, establishment of PPP unit in Finance division, policy guidelines on technical assistance and Viability Gap Financing (VGF), a PPP law has been drafted and eight projects under five Ministries/ Divisions to be implemented on pilot basis have been identified. However, no PPP project has yet been implemented under this new framework.

Till February 2013, 25 proposals are received in PPP Office from implementing agencies as pipeline project. Among them 7 projects are at support stage, 6 projects are at Cabinet Committee on Economic Affairs (CCEA) approval stage and rest of them are at screening stage. Table-1 shows detail list of the projects.

Table-1: List of projects at different stages

Support stage	CCEA Approval stage	Screening stage
Dhaka-Ashulia Elevated Expressway	Mirpur Affordable Housing project	LPG bottling plant at Kumira (Jetty, pipeline and storage)
Hemodialysis Centre at NIKDU, Dhaka	Upgrading of Dhaka bypass to for line (Madanpur-Vulta-Joydebpur)	Construction to Laldia Bulk Terminal
Hemodialysis Centre at CMCH, Chittagong	Jatrabari Sultana Kamal Bridge-Tarabo PPP road	Cargo village (2 nd phase) and Multimode surveillance system at Hazrat Shahjalal International Airport
Abasar: Senior citizen health care and hospitality complex	Hemayetpur-Singair- Manikgonj PPP road	Fulchari Bahadurabad MG railway bridge
Five Economic Zones in Bangladesh	Flyover from Santinagar to Mawa road via 4 th bridge over Buriganga river	Dual gauge double line Bangabandhu bridge
Construction and operation of Mongla Port	3 rd Sea port at Rabonabad point	Modernization of Railway hospital in Dhaka, Khulna and Chittagong
Khilkhet water treatment plant		Five star railway hotel at Chittagong
		Commercial development of shopping and hotel facilities to expedite railway tourism
		Bus rapid transport support projects

Source: PPP Office, Bangladesh

3.0 Preparedness of Public Private Partnerships in Bangladesh

3.1 Preparedness for Public-Private Partnership Initiatives based on Legal, regulatory, institutional and financing framework of PPPs in Bangladesh

As policy alternative for public service delivery, Public-Private Partnerships policy has been able to attract consistently the top level policy makers of Bangladesh since late 1990s. However, till 2010 sufficient progress was not made through PPP initiative. Considering the weaknesses and limitations in the earlier guidelines, legal basis and institutional framework, and for accelerating PPP initiative, Government of Bangladesh formulate a Policy and Strategy for Public-Private Partnership (PPP), 2010, publish Scheme and Guideline for Public-Private Partnership Technical Assistance Financing (PPPTAF) to support PPP project development/ Guidelines for Viability Gap Financing (VGF) to Public-Private Partnership (PPP) Project, establish independent PPP office under Prime Minister's Office/ PPP unit in Finance Division/ Bangladesh Infrastructure Finance Fund Limited (BIFFL) and select focal points at the Line Ministries/Implementing Agencies. Some specific details of financing arrangement are discussed below:

By introducing Scheme for Public-Private Partnership Technical Assistance Financing (PPPTAF) Government of Bangladesh has decided to provide fund for financing project development costs to overcome

budget constraints of the implementing agencies in financing PPP project development costs. PPPTAF will only be used in In-Principle approved projects by the competent authority as per Policy and Strategy for Public-Private Partnership (PPP), 2010. Expenditure related to project development activities are i) project identification, ii) pre-feasibility studies, iii) detailed feasibility studies, iv) procurement procedures, v) documentation and evaluation, vi) technical, commercial, financial and legal support, vii) contractual and negotiations and other subsequent activities in relation to the project till signing the contract and achieving project financial close with the awarded tenderer. This also includes cost of engaging consultants, PPP capacity building and PPP awareness development. Initial contribution from the Government is Bangladeshi Taka 100 crore as grant. It is envisaged as revolving fund and would get replenished by the reimbursement through full or partial assistance recovered from successful tenderer. PPP office will manage and administer the fund as per Finance Division's guidelines and will send utilization report periodically to the Finance Division. Detail approval and monitoring procedures are specified in the Guideline for PPPTAF published by the Finance Division, Ministry of Finance.

Secondly, Guidelines for Viability Gap Financing (VGF) to Public-Private Partnership (PPP) Project shows innovation in government finance to the PPP projects. The Government of Bangladesh has decided to subsidize economically and socially viable PPP projects those will not be financially viable through charging affordable user tariffs or utility payments. The Government will make such PPP projects financially viable by providing a budget line. This budget line is known as Viability Gap Financing (VGF) and will be managed and administered by the designated PPP unit of the Ministry of Finance. VGF in the form of capital grant shall not exceed 30 per cent of the total estimated project cost and it will only be applicable for Build-Operate-Transfer (BOT) type PPP project. Moreover this VGF shall be disbursed on a periodic basis in the construction phase of the project only when total equity contribution of the private partner is already expended. To be considered for this type of public financing, the economic rate of return (ERR) of the project shall meet the threshold level as specified by the PPP unit. Not only that, the private partners for the PPP projects shall be selected through competitive tendering process and subject to fulfillment of all other requirements of the tender the required amount of VGF shall be equivalent to the lowest for this form of financing. The Government of Bangladesh has already

published Guidelines for VGF for PPP projects, 2012 covering approval, disbursement and monitoring procedures.

And finally, apart from VGF, Government of Bangladesh will offer extended catalytic support for arranging debt for the investors through Bangladesh Infrastructure Finance Fund Limited (BIFFL). Bangladesh Infrastructure Finance Fund Limited (BIFFL) is a public limited company with Authorized Share Capital of BDT 100 (One hundred) billion and the Subscribed Share Capital or Paid-up capital is BDT 16.00 billion. Initially, the Government will hold 100 percent ownership of the company. After the private sector invests in equity they will also get ownership of the company. The main objective of BIFFL is to provide predominantly long-term financing for PPP projects through issuance of bonds and debt instruments and equity offerings. BIFFL envisages attracting private investments from local & foreign investors and to invest companies that are implementing infrastructure projects in Bangladesh. This financing institution helps developing confidence among the investors and gives a signal to the local and foreign investors about the intention of the Government.

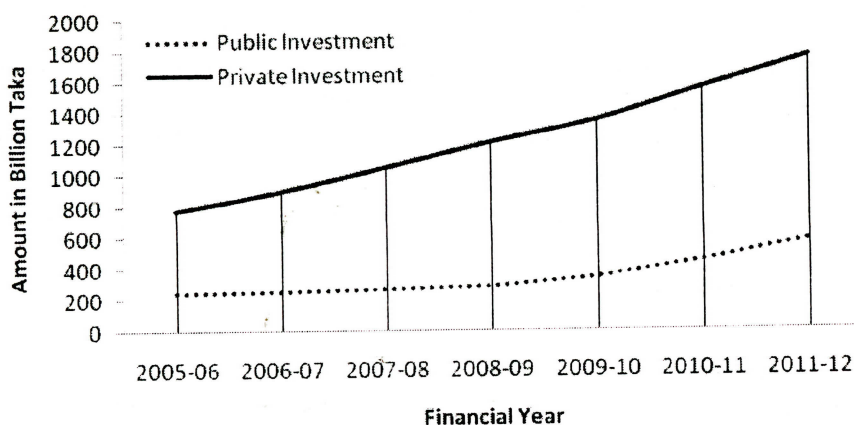
Besides these institutional and financial arrangements, the PPP office has already completed Draft PPP Law, Project Screening Manual, Project Development Manual, Tender Process Manual, Environmental and Social Safeguards Framework, and 4 Model Concession Agreements. Moreover, the PPP Office has identified eight pilot projects under different ministries and further projects are currently being screened for PPP selection. Thus, based on legal, regulatory, institutional and financial arrangement Bangladesh is fully ready to invest in projects through public-private partnership arrangement.

3.2 Preparedness for Public-Private Partnership Initiatives based on Investment Climate in Bangladesh

In the Sixth Five Year Plan (2011-2015) the Government of Bangladesh recognizes public-private partnerships as a strong catalyst for mobilizing additional resources and creating additional capacity with an expectation that it will help for implementing public programs. Thus primary interest of the government is to encourage private investment in energy and power, roads, waterways, railways, ports, water and sanitation, telecommunications/ICT, housing and tourism. Expanding the scope of PFP further in the social sector is also under government consideration. Against this backdrop, present investment scenario and investment

climate in Bangladesh needs to be discussed. Bangladesh, a transitional economic state, has been experiencing an accelerated economic growth where private sector is playing a leading role. Macroeconomic highlights shows a steady average annual GDP growth of 6.21 % and above during the last 5 years. Increasing investment is considered as a key variable for attaining such growth. Comparative figure of public and private investment during FY 2005-06 to 2011-12 periods is shown in Figure -1.

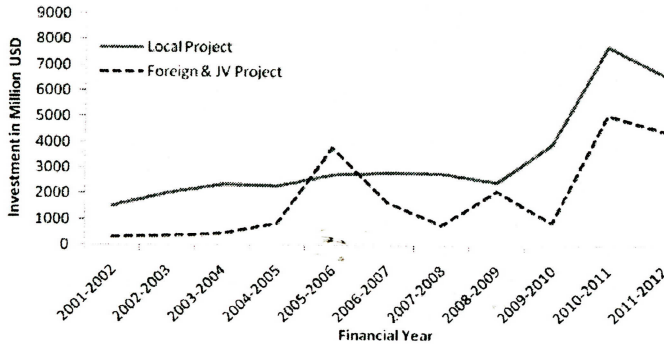
Figure-1: Public and private investment in Bangladesh



Source: Bangladesh Economic Review (2012)

Investment as percentage of GDP increased from 24.4% in FY 2010 to 24.7% in FY 2011. Whereas the private sector component as percentage of GDP increased from 19.3 % in FY 2010 to 19.5% in FY 2011, public sector component of investment as percentage of GDP however, raised from 5.3% in FY 2010 to 5.4% in FY 2011 (BOI, 2012). Besides, investment project registered with Board of Investment (BOI) shows that in FY 2001-2002, about 2964 private investment projects with proposed investment of 1833 million USD were registered whereas it reached 1955 projects in FY 2011-12 with proposed investment of 11148 million USD. Figure-2 shows private investment both local and foreign during the period of 2001-02 to 2011-12.

Figure-2: Private investment registration in the Board of Investment



Source: BOI (2012)

In sector wise analysis it is found that service sector has been registered as highest (29%) in FY 2011-12. Other major sectors were textile (19.74%), chemical (17.82%), and agro based (11.44%). From different regions of the world a total of 34 countries registered their project as foreign and joint venture projects in FY 2011-12. These countries are USA, Thailand, India, South Korea, Netherlands, China, UK, Japan and Singapore.

Bangladesh's most liberal investment climate in South Asia is the major factor in attracting private investment and achieving industrial growth. Government of Bangladesh has liberalized the industrial and investment policies by reducing regulatory requirements and offering substantial incentive program. A summary of incentives provided to the investors is presented in Table-2.

Table-2: Summary of incentives provided to the investors

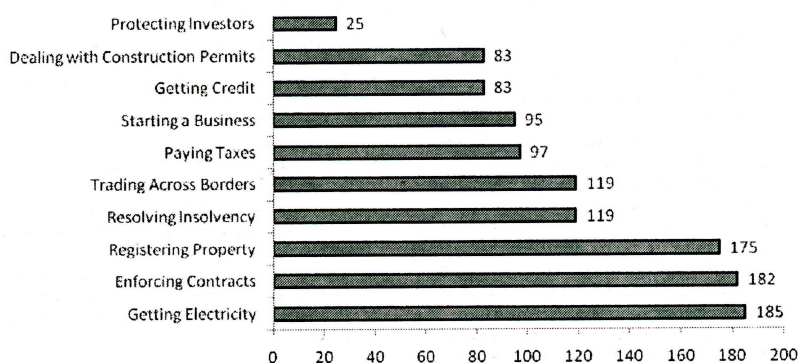
Major Fiscal Incentives	Major Non-Fiscal Incentives
1. Tax holiday facilities for 5-7 years 2. 1%-3% concessionary duty exemptions on imported machinery 3. Avoidance of double taxation based on bilateral Double Taxation Avoidance Treaties. 4. Accelerated depreciation allowance for new industrial undertakings instead of tax holiday 5. Restructuring depreciation allowance for better profitability 6. No discrimination in case of duties and taxes for the same type of industries set up by foreign and local investors and in public and private sectors 7. Tax exemptions on the interest on foreign loan under some conditions/ private sector power generation company/ capital gains from the transfer of shares	1. Remittance of royalty, technical know-how, technical assistance fee 2. Cent percent foreign equity allowed 3. Unrestricted exit policy 4. Full repatriation facilities of dividend and capital at the event of exit 5. Permanent residence permit on investing USD 75000 and citizenship offer for investing USD 500000. 6. Special incentive packages to export oriented and export linkage industries/ power sector investors 7. Privileges for selected commercially important person (CIP)

Source: BOI (2012)

Bangladesh is now the 27th most attractive investment destination. Goldman Sachs branded Bangladesh as in 'Next 11' list after the BRIC nations. JP Morgan Chase commented Bangladesh as the country ranks fourth in growth in economically active population. Recently Moody's has ranked Bangladesh at Ba3 in its sovereign ratings that reflects the macro-economic stability of the country. The rating is higher than Sri Lanka and Pakistan. Bangladesh has also higher than the average ratings of around 100 developing countries in the Country Policy & Institutional Assessment (CPIA) of the World Bank that assesses from broad areas like economic management, structural policies, policies for social inclusion and public sector management.

However, based on variety of indicators, grouped in 10 categories, a report entitled 'Doing Business 2013' published jointly by the World Bank and IFC, in which Bangladesh is ranked in the 129th position among 185 countries in ease of doing business. In case of protecting investors, arranging credit, starting business and paying taxes Bangladesh is ranked 25th, 83rd, 95th, and 97th. The ranking on the ease of doing business do not measure all aspects of the business environment that matter to firms/ investors or that affect the competitiveness of the economy, but high ranking does mean that the government has created a regulatory environment conducive to operating a business (Doing Business, 2013). How Bangladesh ranks on Doing Business topics is shown in Figure-3. With these rankings, Bangladesh is suitably positioned for doing business in South Asia, notably better than India and Afghanistan.

Figure-3: How Bangladesh Ranks on Doing Business Topics



Source: Doing Business, 2013

Moreover, the cost of doing business in Bangladesh is significantly competitive in comparison to other economies in the region. JETRO in its latest survey on the 33 cities of Asia found that almost in all elements, Dhaka is among the least costly place (BOI, 2013). According to BOI, business starting elements (such as selecting a business structure, incorporating a company, opening a liaison or representative office, securing trade license) require minimum cost, operational set up for industries/business the other steps/elements (such as registering with BOI, obtaining industrial plot, approval of foreign loan/ suppliers' credit/ PAYE scheme, obtaining utility connections, import of raw materials, work permit, registering with Factories Act, registering with Environmental Legislation, and finally remittance of royalty/technical know-how/technical assistance fee) incur competitive cost due to having government policy support and finally, in human resource & employment and foreign exchange transaction Bangladesh is much suitably placed.

Investment projects through PPPs will also have similar elements/steps and will work in similar investment climate. However, PPP projects are different as they mainly deal with public goods and services and the differences will be clearly visible while PPP projects will require financing from the government. Thus, based on investment climate, Bangladesh offer substantial conducive environment for implementing projects through PPPs however still there are both challenges and flexible opportunities.

3.3 Preparedness for Public-Private Partnership Initiatives based on survey response

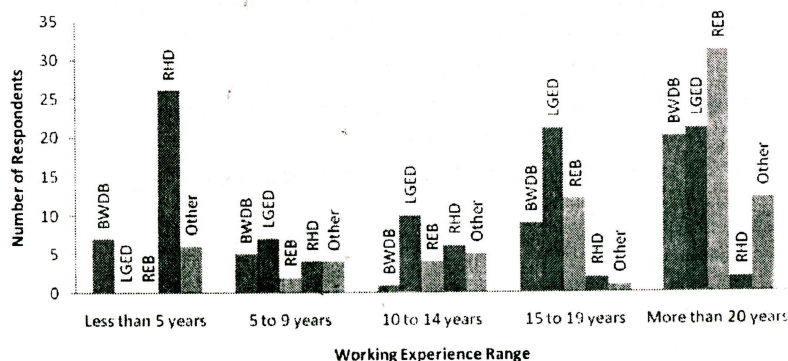
3.3.1 Method of Enquiry

In order to identify government officials perception on PPP preparedness in Bangladesh, a questionnaire survey was conducted during December 2012 to February 2013 period. This survey was based on 218 respondents from four major government organizations those are implementing agencies mainly involved in infrastructure construction and maintenance service and some other relevant Ministry/Division/Department Officials. The implementation agencies were Roads and Highways Department (responsible for the construction and the maintenance of the major roads and bridge network), Local Government Engineering Department (the largest public sector organizations devoted to construction of roads, bridges/ culverts and markets for social mobilization, empowerment and environmental protection in rural and urban areas), Bangladesh Water Development Board (the principal agency of the government for managing water resources of the country and responsible for executing

flood control, drainage and irrigation projects to increase productivity in agriculture and fisheries) and Rural Electrification Board (a semi-autonomous government agency responsible for electrifying rural Bangladesh). Besides RHD, LGED, BWDB and REB, there were also respondents from other Ministries, Division and Department.

Survey data were collected from 190 officials working in above implementing agencies and 28 officials working in Government Ministries/Division/ Department while they were in a training programme on Concession Agreement and Public- Private Partnership training conducted by Central Procurement Technical Unit (CPTU) at Bangladesh Engineering Staff College, Dhaka. A total of 12 courses were conducted taking 17 to 20 participants in each course with the participants from above organizations. Experience wise distribution of respondents was shown in Figure-4.

Figure-4: Experience-wise distribution of the respondents



Source: Survey conducted in December 2012-February 2013

3.3.2 Data Analysis

The major purpose of the study was to extract out respondents' true understanding on preparedness for PPPs in Bangladesh context. Thus, initially, we used the following question as general understanding and perception on Government preparedness in public-private partnership initiatives.

Question 1: Do you think Government of Bangladesh is currently prepared for implementing PPP projects and in this case would you please express your opinion where it fits best: 1) Not prepared at all, 2) Not very much prepared due to having large number of major obstacles, 3)

Partially prepared due to having some major obstacles and minor obstacles, 4) Nearly prepared with some minor obstacles and 5) Fully prepared. Table-3 shows perception on PPP preparedness in the Government of Bangladesh.

Table-3: Perceptions on PPP preparedness in Bangladesh (Percent distribution).

Perceptions on PPP preparedness	BWDB	LGED	REB	RHD	Other
Not prepared at all	0	2	0	0	0
Not very much prepared due to having large number of major obstacles	14	12	6	25	7
Partially prepared due to having some major obstacles and minor obstacles	57	47	55	48	54
Nearly prepared with some minor obstacles	29	34	33	25	36
Fully prepared	0	5	6	3	4
Total N= 218	100	100	100	100	100

Source: Survey conducted in December 2012-February 2013

The above table reveals that perception on PPP preparedness is encouraging but did not offer sufficient satisfaction. Around 35 percent of the respondents believe that Bangladesh is prepared for PPP venture whereas 52 percent is only skeptic due to having few major obstacles which require longer term effort to overcome. But the percentages of respondents, who see lots of major obstacles, are not substantial (around 13%). However, the major obstacles (needs longer time effort from the government) and minor obstacles (needs shorter term effort from the government) are shown in Table-4.

Table-4: List of obstacles identified the respondents

Major Obstacles	Minor Obstacles
1. Uncertainty about Political commitment 2. Finalization of legal documents/frameworks 3. Lack of large investor/ debt financing and budget deficiency of the government 4. Lack of capacity of implementing agencies/transparency/efficiency and lack of expertise in those organization 5. Political unrest 6. Lack of awareness about PPP and discriminatory knowledge between public and private sector 7. Lack of PPP expert in both public and private sector 8. Land acquisition problem 9. Incompetence in risk assessment 10. Inefficiency in project identification	1. All necessary sector specific guidelines are not fully prepared 2. Difficulty in financial arrangement and capital market 3. Lack of proper understanding on PPP and lack of general awareness on PPP 4. Institutional arrangement is not complete yet such as PPP cell in all Ministry/ PPP approval procedure / PPP contract management 5. Poor feasibility study of project and possibility in problem in fixing user fee 6. Land acquisition and other utility support 7. Identification of attractive project and quality private partner selection

Source: Survey conducted in December 2012-February 2013

Perception on preparedness of PPP in Bangladesh needs to be explained by the respondent's understanding about the related issues in PPP implementation initiatives. To explore the respondents' understanding about the PPP related issues the following question was asked.

Question 2: Would you please place your satisfaction level on the following issues regarding PPP implementation initiatives in Bangladesh context. The results are shown in Table-5.

Table-5: Satisfaction level of the respondents on issues related to PPP implementation initiatives (Percent distribution).

In general, issues regarding PPP implementation initiatives in Bangladesh (are)	Very /relatively satisfied	Slightly /not satisfied
1. Political unrest and instability in political environment any tenure	31	69
2. Good governance, transparency and efficiency of the government	35	65
3. Political commitment of the successive government	37	63
4. Availability of large investors for investing in public service delivery	37	63
5. Project identification, detail feasibility analysis and financial due diligence	37	63
6. Capacity of implementing agencies/ Ministries and general PPP awareness	40	60
7. Land acquisition and related utilities/ input supply facilities	40	60
8. Government budgetary arrangement and VGF facility	52	48
9. Institutional, legal and regulatory framework and document preparation	58	42
10. Capacity of the financial institutions and debt financing facilities	60	40
Average (percentage)	43	57

The overall satisfaction level of the respondents towards the issues related to PPP implementation in Bangladesh is 43 percent. The respondents were not satisfied in terms of political unrest, good governance, political commitment, availability of large investors and project identification, capacity of implementing agencies and land acquisition perspectives. However, in this study, it is found that government budgetary arrangement, institutional and document preparation and capacity of the financial institution is much more satisfactory than others.

We examine the patterns of perception for government organizations surveyed and how these patterns are related to the working experience of the respondents. It is found that officials from the Ministry/Division/Department who are not in the implementing agency have higher perception on PPP preparedness for Bangladesh Government with mean preparedness at 3.48. Rural Electrification Board personnel (mean preparedness is 3.39) are also more optimistic than Local Government Engineering Department (mean preparedness is 3.29) or

Bangladesh Water Development Board (mean preparedness is 3.14). According to Roads and Highway Division personnel, Government preparedness is still obstructed by both major and minor obstacles with mean preparedness at 3.05. On the other hand experience range analysis shows that higher the experience, perception on Government preparedness is high. It is found that young officials with service experience less than 10 years have low perception on government preparedness (mean preparedness is 3.13) whereas the officials with working experience more than 10 years have higher perception on government preparedness whose mean preparedness is 3.31.

Understanding preparedness on the Government side is not enough. As it is partnership with the private sector, we also need to know the preparedness of private sector. To explore the preparedness of private sector, we used the following question as general understanding and perception on private sector preparedness in public-private partnership initiatives.

Question 3: Do you think private sector is prepared to be a part of collaborative effort with the Government for developing infrastructure in Bangladesh? Would you please express your opinion where it fits best: 1) Not prepared, 2) Not very much prepared, 3) Partially prepared, 4) Nearly prepared and 5) Fully prepared. Here we also examine the patterns of perception in the context of private sector and how these patterns are related to the organization surveyed and to the working experience of the respondents. Table-6 shows perception on PPP preparedness in the Government of Bangladesh.

Table-6: Perceptions on PPP preparedness in private sector of Bangladesh (Percent distribution).

Perceptions on PPP preparedness in private sector	BWDB	LGED	REB	RHD	Other
Not prepared	0	3	2	10	0
Not very much prepared	18	12	2	30	18
Partially prepared	63	55	67	35	43
Nearly prepared	18	28	27	23	39
Fully prepared	3	2	2	3	0
Total N= 214	100	100	100	100	100

Source: Survey conducted in December 2012-February 2013

From the responses collected, it was found that private sector preparedness is not high as preparedness of government sector. Around 30% of the respondents believe that private sector is prepared for PPPs.

Similar to Government preparedness, around 52% responded thinks that private sector is partially prepared. Besides, 19% respondents found private sector not prepared. Perception on PPP preparedness in the private sector needs to be explained by the respondents' understanding about the related issues in PPP implementation initiatives. To explore the respondents' understanding about the PPP related issues the following question was asked.

Question 4: Would you please place your judgment on the following issues regarding capacity of private sectors for PPP project implementation. The results are shown in Table-7.

Table-7: General Perception on capacity and competency of the private Sector

Private parties are in general-	Strongly agree/ agree	Slightly agree/ not agree
1. Efficient in service delivery	79	21
2. Well communicative (formal & informal)	77	23
3. Reliable for quality service	76	24
4. Capable of arranging large fund	73	27
5. Friendly and easy access to	73	27
6. Capable of managing risks	72	28
7. Technological advanced	71	29
8. Obligated to follow legal bindings	70	30
9. Consider national interest	63	37
10. Corruptive nature	57	43
Average (Percentages)	71	29

Source: Survey conducted in December 2012-February 2013

All respondents were from the government sector and they have very good perception on the capacity of private sector in terms of PPP project implementation. On an average 71% of the respondent agree on the expected competency level for PPP project implementation. According to the respondents, private sector is efficient, well communicative, reliable, capable of arranging large fund, accessible, and capable of managing risk. However, still the respondents have some confusion about the role in serving national interest and the corruptive behavior of the private sector. It is revealed that private sector is well ahead with dealing with PPP project implementation but the respondents believe that they are not enough ready to be a part of collaborative effort for implementing PPP projects.

In preparedness of private sector, experience and organization based analysis were conducted. Ministry/Division/Department officials have comparatively higher perception on private sector preparedness (which is 3.2) whereas, the implementing agencies' perception varies. Mean preparedness for the private sector are 3.25, 3.12, 3.05, and 2.78 for REB, LGED, BWDB and RHD personnel respectively. Experience wise analysis shows that mid level and high level officials with service experience more than 10 years have comparatively higher perception on private sector preparedness in PPP project implementation, whose mean preparedness is around 3.12. On the other hand, young officials with service experience below 10 years are skeptical and have lower perception on private sector preparedness with mean preparedness of 2.98.

Our survey results were found nearly similar to Economic Intelligence Unit's PPP readiness assessment. Economist Intelligence Unit of Asian Development Bank (ADB) publishes an Index which is known as Asia Infrascopes Index for Asia Pacific countries. The Asia Infrascopes Index assesses countries' readiness and capacity for sustainable, long-term PPP projects. Based on the scores, countries were categorized into four groups: mature (score range: 80-100), developed (score range: 60-80), emerging (score range: 30-60) and nascent (score range: 0-30). A country's overall score comprises of weighted category score of the country's regulatory framework, institutional framework, operational maturity, investment climate, financial facilities, and sub-national adjustment. The most "PPP ready" countries are successful in attracting private sector investment. Bangladesh scores 39.2 out of 100 of the overall index with the highest 47.5 for investment climate among 16 Asia-Pacific countries and hold the status of Emerging country for investing through PPPs.

4.0 Results and Discussion

Bangladesh is on board of collaborative arrangement with two major objectives: developing infrastructure and boosting economic growth. As it reduces pressure on national budget and share investment risks, policy makers of successive democratic governments see partnership initiatives as an important strategy. With the assistance of some development partners e.g., World Bank and ADB, Government of Bangladesh has finalized regulatory, institutional and financial framework. Besides,

continued infrastructural support to the investment projects, capacity building in terms of good governance, transparency and expertise development is an ongoing process in this country. However, incessant effort of the Government for improving business/investment climate and substantial progress made in telecommunication & ICT service are often challenged by some constraints such as land and utility support, overall transportation system, weak legal enforcement. Initiatives for creating an informed civil service at the Ministry and implementation agency level indicates well but again transparency and accountability of the government require tangible attention. Side by side, capable private sector is a vital requirement for PPP governance. Well communicative, technologically advanced, and high quality private sector with capable of arranging large fund and managing risks can be a good partner but for effective collaboration, nation needs that type of private sector who will consider national interest and follow legal bindings.

Considering capacity of both public and private sector our survey result shows that government is prepared with mean preparedness of 3.25 and private sector is prepared with a mean preparedness of 3.08. From the survey, it is found that the government preparedness rankings nearly conform the satisfaction level on PPP related issues. i.e., 35 percent respondent thinks that government sector is prepared for investing through PPP project at the same time 43 percent respondent thinks that the necessary initiatives from the government is satisfactory. On the other hand, around 30 percent respondent thinks that private sector is prepared to be a partner whereas, 71 percent respondent thinks that the private sector of Bangladesh has necessary competencies and qualities. It means, the government officials believe that private sector has required competencies & qualities but they think the private sector is not prepared for collaboration. Government officials do not have sufficient confidence on the private sector, may be a reason for such perception of less preparedness of the private sector. In essence, based on our study findings, we claim that considering both public and private sector, Bangladesh is moderately prepared for project financing through public-private partnership.

The study also reveals another two important dimensions. A) Implementing agency officials have less perception on PPP preparedness in both government and private sector than the perception of the policy

level officials. Knowledge gap is one of the reasons but experience of facing problems and overcoming those problems may guide the implementation agency officials to be conservative. B) Young officials are much more conservative than the experienced officials. Thus the preparedness ranking is lower in case of officials who have less than 10 years of working experience than the officials who have more than 10 years of working experience. Young officials are observing political instability, confusing policy changes and inefficiency in the bureaucracy in the last 10 years since their joining in the government platform. Whereas experienced officials have long experience of both stable and unstable situation and thus have the capacity of making expectations more reasonable and achievable. Lower perception of preparedness can be explained in this way.

Recommendations based on survey response: Success towards achieving high PPPs preparedness and sustaining with this goal require lots of fundamental support from both public sector and private sector. Government has achievement in developing institutional, financing and regulatory framework but much have to do for increasing capacity and confidence in operational/business level. For the operational environment, business support initiative by the government is sufficient but much attention is required for improving governance. Besides, government should have sufficient confidence on private sector. It certainly requires continuous dialogue between public and private sector and improvement of corporate governance. Sharing experience on PPP implementation is highly regarded between Government to Government and also between private investors of one country to another. Side by side, environment should be created to allow international investors in PPPs, so that the national investors gradually become mature to take up PPP project and can make the initiative robust.

5.0 Conclusion

Bangladesh is embracing policy and strategies for promoting public-private partnerships since 1990 and transforming the governance toward collaborative arrangement. Transformation of governance was being adopted by all the government constituted by the two major political parties of Bangladesh. Thus political commitment has been observed almost in all tenures since 1990. However, the commitment has been robust by recently taken innovative financing initiatives in the form of

creating grant for public-private partnership technical assistance fund, arranging viability gap financing (VGF) and establishing non-bank financial institution for equity contribution. Based on survey responses and on the assessment of financing framework & other required indicators related to investment through public-private partnership, the study concludes that Bangladesh is at the moderately prepared level in financing projects through public-private partnerships. Secondly, Government is making constant effort for improving investment climate and PPP related capacity building. Thus Bangladesh is now an attractive destination for investing through PPPs with local and foreign investors.

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