

PPP Experience in Myanmar



Presented by:

Ministry of Transport and Communications

Progression of PPP in Myanmar

PPP Scheme	Before 2010	Yrs (2010-2018)	Yrs (2019-2022)
Infrastructure		<ol style="list-style-type: none"> 1. Transportation 2. Electric Power 3. Telecommunication 	All sectors
PPP Models	Quasi-PPP	<ol style="list-style-type: none"> 1. BOT 2. Concession 3. Joint Operation 	<ol style="list-style-type: none"> 1. BOT 2. Concession 3. Other models
PPP Framework	None	No specific PPP guidance/legislation (Investment, Taxation & Land Laws)	<ol style="list-style-type: none"> 1. PPP Policy/Law 2. Other related laws
PPP Institution	None	No specific PPP unit	PPP Committee/Units
Challenges	No consistent PPP guidelines	Inadequate PPP principles including risk sharing which affected both the public and private partners	Moving forward to sustainable PPP

1. Aviation Sector (Airports Development)

- ❖ Increase in international air travellers to Myanmar after change in the political landscape in 2010.
- ❖ Demand for international standards in airport facilities.
- ❖ State owned and managed airports have insufficient financing, poor services, inadequate organizational, managerial and technical capabilities leading to inefficient operation.
- ❖ When the first airport PPP projects were started , there was a lack of PPP experience and national guidelines , policies and/or legislation.
- ❖ Had to learn individually from the experience of other countries and published guidance from organizations such as ADB, the World Bank and OECD.
- ❖ Lack of experience and guidelines led to delays and unforeseen difficulties in the PPP processes of tendering, evaluation, selection and negotiation

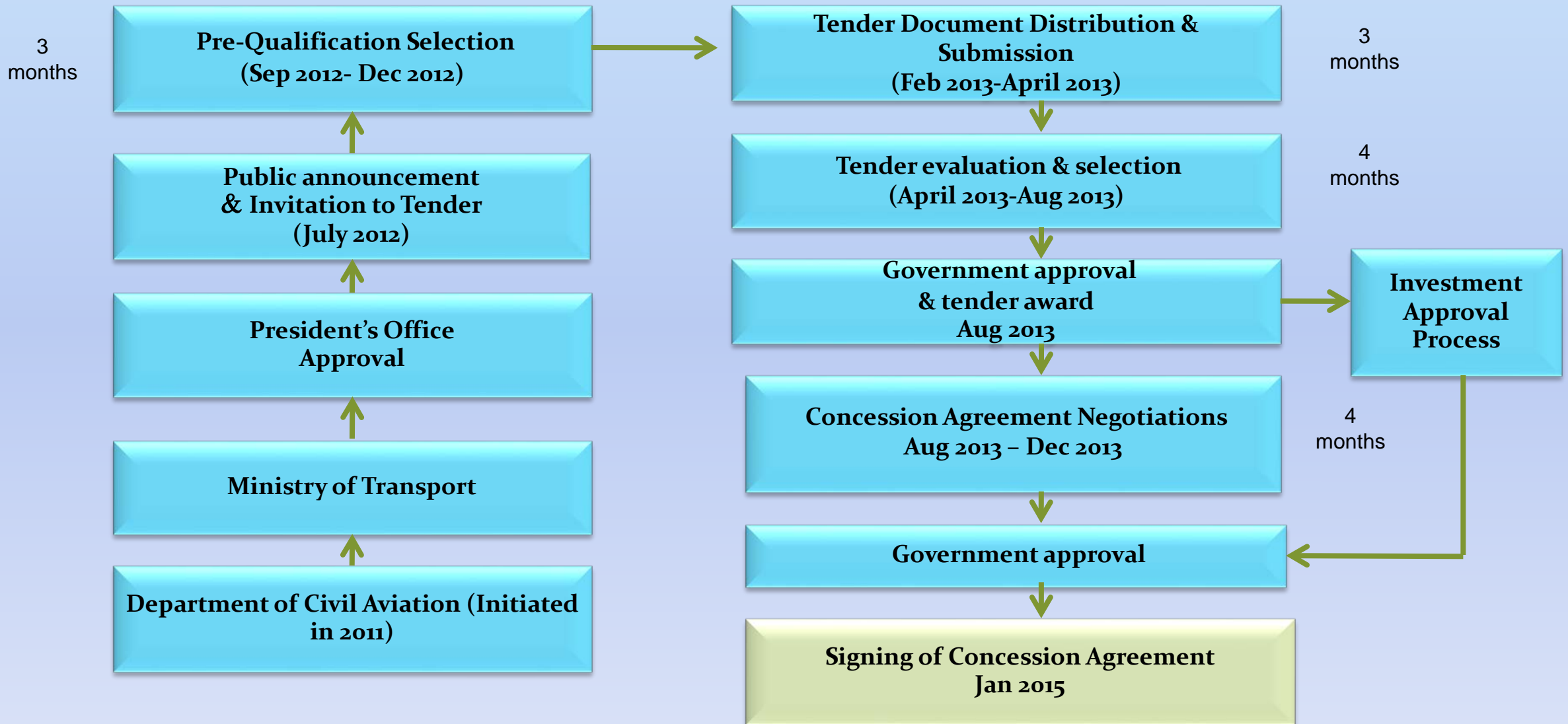
Upgrading Yangon International Airport (1st gateway - brownfield)

1. International Open Tender - awarded to consortium (leading local company)
SPV Yangon Aerodrome Co. Ltd
2. Financing - Equity + debt financing by private sector (US\$ 666 million)
3. Model - Concession (30 years)
4. Consultants - Nippon Koei Co. Ltd (Japan)
5. Concession Agreement – Signed 6 January 2015

Upgrading Mandalay International Airport (2nd gateway - brownfield)

1. International Open Tender - awarded to consortium (leading Japanese company)
SPV - MC Jalux Airport Services Co. Ltd
2. Financing - Equity + debt financing by private sector private firms (US\$ 13.5 million)
3. Model - Concession (30 years)
4. Consultants - Nippon Koei Co. Ltd (Japan)
5. Concession Agreement – Signed 16 November 2014

Case Study : Yangon International Airport Development Project



Case Study : Mandalay International Airport Development Project



Challenges

Public

1. Lack of PPP experience to select suitable private partner
1. Lack of regulatory and institutional framework for PPP
1. Difficult to evaluate in line with international practice to mitigate risks
1. Time taking regulatory procedure cycle for conclusion of agreement.

Private

1. Lack of government commitment in political / social and economic regime for future
2. Experience and technical gaps between local and foreign partners in consortium
3. Weak project data provision and financial guarantee / government loan

Advantage

1. As a developing country, Myanmar can chose partial privatization type (30 years concession model) in its pilot projects.

Hanthawaddy International Airport Project

Location of Project

- Located approximately 70km north of the Yangon city.
- Land area- approximately 4,000ha (9060 Acre)

objectives

- ◆ Major Gate Way and Regional Hub Airport of Myanmar.
- ◆ the rapid demand increase and provide the airport users high quality services of the world class airport.
- ◆ to contribute to sustained development including the employment promotion of Myanmar.



Project History

- 2 July 2012 Press Conference
- 9 July 2012 Pre-qualification Invitation
- 31 Oct 2012 Announcement of PQ Result
(7 Firms prequalified)
- 8 Feb 2013 Tender Invitation
 - Four firms submitted Project Proposals
- 10 Aug 2013 Announcement of Preferred & Back-up Bidders
- Sep 2013 to Feb 2014 Negotiations with Preferred & Back-up Bidders



Negotiation with the Preferred Bidder

Demand Forecast

Minimizing Yangon International Airport (YIA) Operation

Financing Plan

The preferred bidder revised the financial plan containing compensation and risks for DCA/ Government of Myanmar such as

- i) minimum revenue guarantee,
- ii) early termination payment and
- iii) payment guarantee.

Both parties agreed to temporarily suspend the negotiations

Negotiation with the Back-up Bidder

- The Negotiation Committee invited the back-up bidder for the negotiation of Concession Agreement.
- The back-up bidder proposed their financial plan based on partial financing by ODA loan .

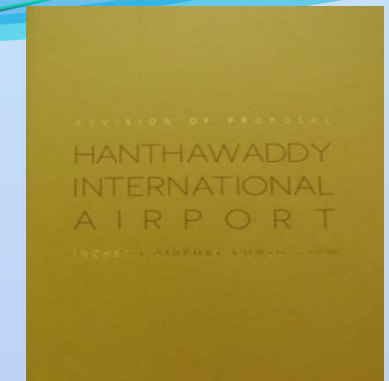
Amendment to the Request for Proposal based on 50% ODA and repayment by Concessionaire

Retender Stage

- 21 Feb 2014 Re-tender
- 30 Oct 2014 Announcement of preferred Tenderer
- 1 Jan 2015 Approval of Union Cabinet Meeting (1 / 2015)

Framework Agreement

- Jan 2015 to Nov 2015 Negotiation between DCA &
- 30 January 2016 Signed Framework Agreement



Purpose of Framework Agreement: to negotiate and conclude the Concession Agreement.

Negotiations: January 2017 - January 2018.

However the two parties were unable to successfully reach agreement.

Expiry of Framework Agreement: 30th January 2018.

Current Status

Ministry of Transport and Communications and Ministry of Land, Infrastructure, Transport and Tourism (Japan) are coordinating for implementation of the Project with 100% Japanese ODA Loan.

A Preparatory Committee had been formed and started discussions on August 2018 for Hanthawaddy International Airport Project including representatives from MLIT, JICA and relevant Union Ministries, and Yangon and Bago Regional Governments.

Three domestic airports , Heho, Kawthaung and Mawlamying (To upgrade)

1. EOI stage passed on January 2018.
2. RFP Distribution
3. Tender Selection- (on going)
4. Model- PPP
5. Consultant - Nippon Koei Co,ltd-Japan

Commitment from public side

- Transport Master Plan is already
- A strategic plan to further expand Myanmar aviation as demand for air travel continues to grow.
- There will be strong legal framework, policy and institution for all PPP projects.
- Airport Authority and Law will come up soon.

2. Railways Sector (Mixed-Use Station Development)

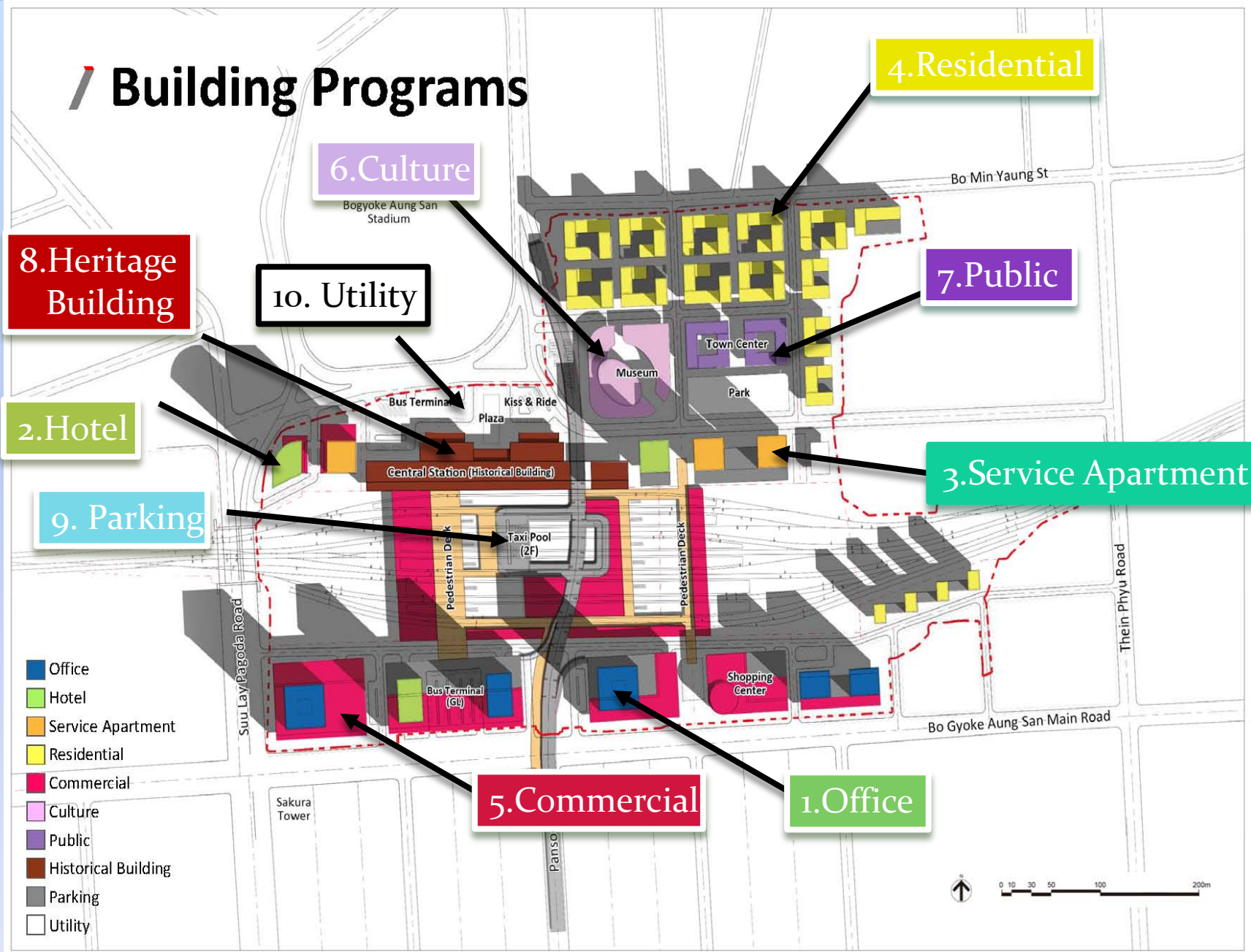
YANGON CENTRAL RAILWAYS STATION AREA COMPREHENSIVE DEVELOPMENT PROJECT

Project Objectives

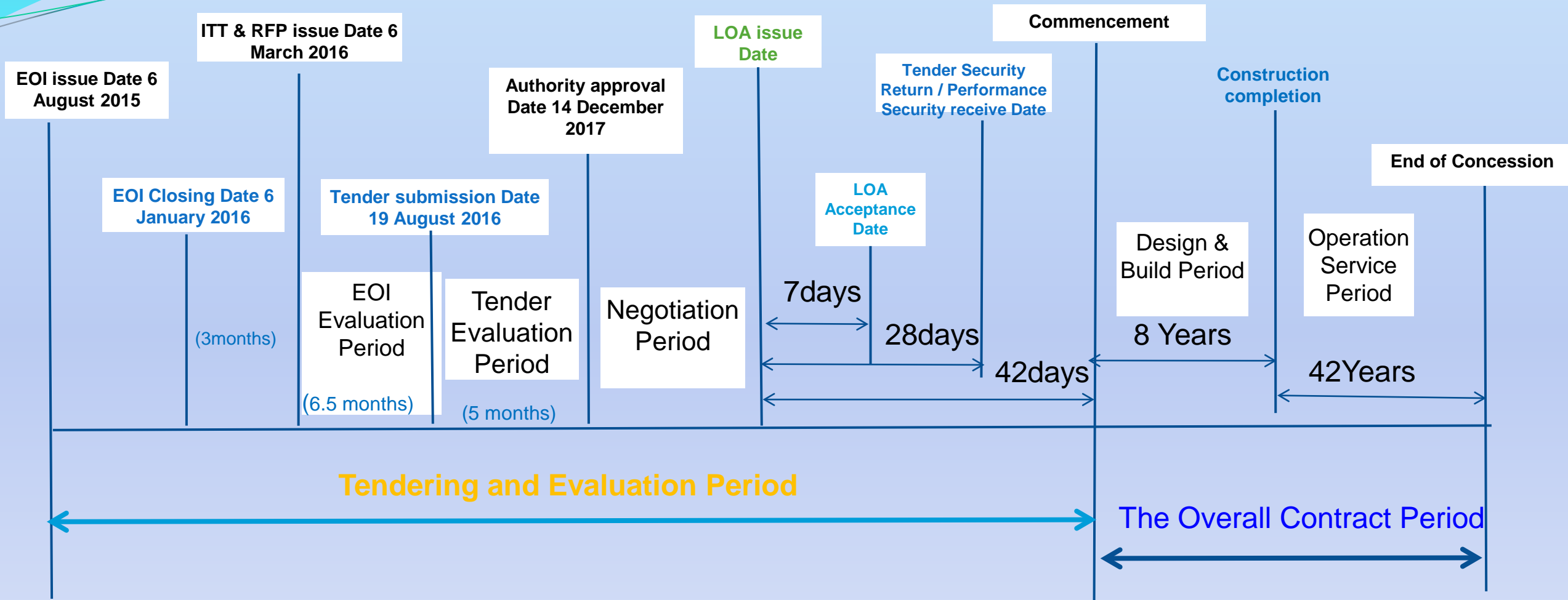
- To identify and integrate essential transport interchanges.
- To improve and expand the functional capability of the existing Yangon Central Railways Station
- To include commercial buildings, office rent complexes, multi-story buildings, etc. in the development plan.
- To achieve a sustainable and environmentally friendly complex.
- To synchronize with Yangon Circular Rail Line way side development plan.
- To implement with minimal disturbance to train operations during the construction stage.
- To utilize Design, Build, Finance, Operate and Transfer (DBFOT) model (50 years lease period)

YANGON CENTRAL RAILWAYS STATION AREA COMPREHENSIVE DEVELOPMENT PROJECT

Conceptual plan



Tendering, Evaluation and Overall Contract Period



Challenges

Challenge #1

- PPP Models are normally for Infrastructure projects only
- Proposed project components include Residential buildings
- Concession period is only 50 years (Extendable 10 + 10)
- Challenges in sales of Residential Units to individual buyers (no land ownership right)

Challenge #2

- Project monitoring
 - An auditable management system to be in place (Quality Management)
 - Construction period
 - Project Assurance Committee to monitor Quality, Cost & Time and conformity with Contract requirements
 - Operation Service Period
 - Review every 5 years

Challenges

Challenge #3

- Asset Risk
 - Transfer (Asset Handover)
 - Concessionaire to make sure the assets are in good and working condition when the contract ends

Challenge # 4

- Involvement of other authorities
 - Traffic Impact Assessment (Potential traffic congestion during Construction and especially, during Operation and Service period)

Challenge #5

- Cultural/archaeological/ heritage items
 - Damage / lost during construction period

Challenge #6

- Change in Ownership of Concessionaire
 - Not allowed during construction period
 - Consent required from MR

The Way Forward

The Myanmar Government:

- ❑ will play a key role in structuring, procurement and oversight of PPP, and will put in place specialized support in this regard.
- ❑ is committed to developing a substantive role for PPP as a means for promoting private sector investment.
- ❑ will utilize private sector expertise, innovation and management ability in the provision of public infrastructure and public services.

Long Term Vision – To establish PPP as a significant approach through which infrastructure and services are delivered to support the development of the country's economy.

Medium Term Vision – To further develop the enabling environment for PPP together with implementing pioneer PPP projects.

PPP Policy Paper:

The Ministry of Planning and Finance (MoPF) is formulating a PPP Policy Document to:

- ❖ develop the use of PPP approach;
- ❖ outline where its use is appropriate;
- ❖ instigate a consistent and effective approach to their identification, development, procurement and management; and
- ❖ clarify the current roles and responsibilities of government agencies (IGAs) at each stage of infrastructure projects.

PPP Center:

The MoPF will be establishing a PPP Center to:

- facilitate the identification and development of PPP projects;
- monitor and report on the implementation of PPP projects;
- develop PPP requirements, guidelines, templates and procedures;
- investigate and recommend PPP policy reforms; and
- provide advice and support to PPP Units within IGAs.

For more information, please visit www.pppmyanmar.gov.mm

Thank You!