

Graduate School of Public Policy
The University of Tokyo

Case Study (Public-Private Partnerships)

Course No. 5140488
Summer 2014

COURSE SYLLABUS

Time: 18:30-20:10, Mondays (April 7-July 14, 2014)
Location: Seminar Room No. 3 (Room 710), 7th floor, Administration Bureau Building 2
Instructor: Toshiro NISHIZAWA, Professor (practitioner faculty member)
TA: Ardhi Santoso Handarumukti (ardhi.santoso.hm@gmail.com)
Credits: 2 credits
Language: English
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Please feel free to send me e-mails with any question about the course or if you want to make an appointment. To help me not to miss your incoming e-mails, **please start the subject line with "5140488" (Course No.) when you send e-mails.*

1. Objectives/Overview

We have seen a renewed wave of infrastructure finance called "Public-Private Partnerships (PPPs)" over the past decade. This trend appears to be a revival of the previous wave of private infrastructure initiatives in the 1990s. The key motivation for PPPs is to seek efficiency gains as well as to fill public sector funding gaps through private sector participation.

The core task of structuring a PPP project is to reconcile the interests of various parties from the private and public sectors. These parties include investors, lenders, and contractors on the private sector side and the government and other related entities on the public sector side.

PPPs, while sounding promising, are in reality very complex and most likely costly. Risk allocations are challenging because of the public nature of infrastructure services provision and inherent uncertainties over the long term. There is even such a perception as PPPs being in favor of "private profit at the public's expense" although this view may be somewhat extreme.

Difficulties also arise from the different attitudes of investors, the government and lenders, as well as the general public. PPPs are equipped with a very commercial and contractual structure and operational modalities, but at the same time are extremely political, especially in

the implementation stage. PPPs are clearly not a panacea despite their potential gains and advantages.

This course has a particular goal to provide students with the basic knowledge of PPPs as a framework for infrastructure development and public services provision in developing, emerging and advanced economies. Also, this course is intended to help prepare students for future positions responsible for infrastructure development and public services provision, in both the public and private sectors, where financial sector perspectives are also required.

2. Schedule (tentative)

Day 1	April 7	Introduction	Nishizawa
Day 2	April 14	Financing	Nishizawa
Day 3	(April 21)†	Risk management	Nishizawa
Day 4	(April 21)†	Government contingent liabilities	Nishizawa
Day 5	April 28	For and against PPPs, followed by brainstorming exercise for research proposal	Nishizawa
Day 6	May 12	"Public-Private Partnership in ASEAN Member Countries—Institutional Assessment to Develop Public-Private Partnership System" (TBC)	Nishizawa Fauziah Zen (ERIA)
Day 7	May 19	Mid-term student presentation (mid-term report or case study proposal due by May 23)	Nishizawa
Day 8	May 26	Discussion on specific issues and cases, followed by feedback on students' mid-term reports (case study proposals)	Nishizawa
Day 9	June 2	Discussion with practitioners	Nishizawa Masato Ari (Allen & Overy)
Day 10	June 9	Legal aspects	Nishizawa Guest (TBA)
Day 11	June 16	Roundtable discussion with practitioners	Nishizawa Guests (TBA)
Day 12	June 23	Discussion on specific issues and cases	Nishizawa
Day 13	June 30	Discussion on specific issues and cases	Nishizawa
Day 14	July 7‡	Final presentation	Nishizawa

Day 15 July 14[‡] Final presentation Nishizawa

†: One of the two classes will be held on Saturday, either April 19 or 26, either at period 1 or 3, depending on students' availability.

‡: Possibly to be organized on an alternative date as an overnight off-campus retreat with the two slots combined in Hachioji Seminar House (total cost for accommodation, meal, and transportation estimated at ¥8,000)

3. Teaching methods

This course will be organized as a seminar with introductory lecture followed by class discussion. *Active participation in discussion* based on student different backgrounds, life-experiences, knowledge, skills, and reading of assigned materials is expected. The working language is English.

Guest speakers will be invited to discuss specific issues from various perspectives and/or based on different fields of professional expertise.

4. Course requirements and grading

Students are required to make presentations twice in the middle and at the end of the course *either (a) on a topic of his/her interest in the context of the course objective as described above or (b) on one of her/his choice from the subjects given by the instructor*, either individually or as a team depending on the total number of registered students. Each student or team is also required to submit reports based on the presentations in the middle and at the end of the course.

In case the work is carried out in a group, while the final report should be written as a single product prepared in a well-coordinated fashion by the group members, each of the group members should be responsible for at least one of the chapters or sections as the primary author.

Furthermore, students are required *from time to time to write a short note (up to 400 or 600 words) about one of the readings assigned for a particular class* and to submit the note by e-mail in principle at least twenty four (24) hours before the beginning of the class. Unless otherwise instructed, the note should cover: (a) your understanding of key ideas and questions raised by the author, (b) terms and concepts that you need clarification, and (c) issues identified for further discussion.

The course grade will be based on:

Presentations 35% (10% for mid-term and 25% for final)
 Individual reports 35% (10% for mid-term and 25% for final)
 Class attendance and participation 30%

5. Course materials

Required readings, mainly excerpts taken *selectively* from the following materials, will be either made available on the GraSPP Student Bulletin Board or handed out in class.

ADB and KDI. 2011. *Public-Private Partnership Infrastructure Projects: Case Studies from the Republic of Korea*. Accessed April 1, 2014.

<http://www.adb.org/sites/default/files/ppp-kor-v1.pdf>

<http://www.adb.org/sites/default/files/ppp-kor-v2.pdf>

Akintoye, Akintoye, Matthias Beck, and Cliff Hardcastle, eds. 2003. *Public-Private Partnerships: Managing Risks and Opportunities*. Oxford: Blackwell.

Delmon, Jeffrey. 2011. *Public-Private Partnership Projects in Infrastructure: An Essential Guide for Policy Makers*. New York: Cambridge University Press.

Grimsey, Darrin, and Mervyn K. Lewis. 2004. *Public Private Partnerships: The Worldwide Revolution in Infrastructure Provision and Project Finance*. Cheltenham and Northampton: Edward Elgar.

Nishizawa, Toshiro. 2011. "Changes in Development Finance in Asia: Trends, Challenges, and Policy Implications." *Asian Economic Policy Review*. Volume 6, Issue 2 (December).

PPIAF and the World Bank. 2011. *How to Engage with the Private Sector in Public-Private Partnerships in Emerging Markets*.

Schwartz, Gerd, Ana Corbacho, and Katja Funke, eds. 2008. *Public Investment and Public-Private Partnerships: Addressing Infrastructure Challenges and Managing Fiscal Risks*. New York: Palgrave Macmillan.

Victor, David G., and Thomas C. Heller, eds. 2008. *The Political Economy of Power Sector Reform: The Experiences of Five Major Developing Countries*. Cambridge: Cambridge University Press.

Weber, Barbara, and Hans Wilhelm Alfen. 2010. *Infrastructure as an Asset Class: Investment Strategies, Project Finance and PPP*. West Sussex: John Wiley&Sons.

Yescombe, E.R. 2007. *Public-Private Partnerships: Principles of Policy and Finance*. Burlington and Oxford: Butterworth-Heinemann.

I would like to suggest that you read chapters (particularly, Chapters 1, 2, 5, and 6) of the following reference book. This is one of the widely-known classic reference books to help students or professionals to do research and to write a good research paper. You can easily purchase one from amazon.com (¥1,835) or borrow one from Nishizawa.

Turabian, Kate L. Revised by Booth, Wayne C., Gregory G. Colomb, Joseph M. Williams, and the University of Chicago Press Editorial Staff. 2013. *A Manual for Writers of Research Papers, Theses, and Dissertations*. 8th ed. Chicago: University of Chicago Press.

6. Course outline

Day 1, April 7: Introduction

As an introduction to the subject, students are given an opportunity to watch videos related to the course subject taken from various sources. Then, the instructor will present the aim of this course as well as the teaching methods and approaches to follow. Students are asked to share with others in class their motivation to work on the subject and their backgrounds, life-experiences, knowledge, skills and so on.

Video clips

IFC Helps Promote Infrastructure Development through Private Sector Participation in Brazil (October 27, 2011; 9:27 minutes)

Accessed April 1, 2014.

"The Brazil Private Sector Participation Facility is a partnership of IFC, Brazilian Development Bank, and the Inter Development Bank, that aims to promote infrastructure development through private sector participation. The film showcases three pioneering projects: the public-private partnership for Hospital do Suburbio in the city of Salvador in Bahia, the irrigation PPP in Pontal, Pernambuco and the concession of the BA093 highway." <https://www.youtube.com/watch?v=RLiVuJT623A>

IFC Enables Public Private Partnerships That Deliver Clean, Reliable Water (January 10, 2014; 3:03 minutes)

Accessed April 1, 2014.

https://www.youtube.com/watch?v=Cp3Tv_EEzNA

Gittins: PPPs No Magic Pudding (The Sydney Morning Herald, March 18, 2014; 3:39 minutes)

Accessed April 1, 2014.

"It's become terribly fashionable for governments to turn infrastructure projects over to public-private partnerships, but the Productivity Commission reminds us the private sector isn't always more efficient than the public sector."

<http://media.smh.com.au/news/national-news/gittins-ppps-no-magic-pudding-5271388.html>

Cf. <http://www.smh.com.au/comment/think-smart-on-infrastructure-20140318-3503f.html>

Assignments

Students are required to write a short note (up to 400 words) about their motivation to work on issues related to Public-Private Partnerships and to submit it by e-mail at least twenty four (24) hours before the beginning of class on Day 2, April 14 (addressed to Nishizawa, tnishizawa@pp.u-tokyo.ac.jp; and cc to Santoso, ardhi.santoso.hm@gmail.com).

Day 2, April 14: Financing

The instructor will discuss the nature of “*limited-recourse finance*” or “*project finance*” (as opposed to “*corporate finance*”) as well as the typical contractual structure of PPP projects.

Difference in attitude of investors and lenders towards risk and return was also discussed. A question is asked on how we could lower the overall funding costs of a PPP project by changing the debt-to-equity ratio (“gearing” or “leverage”). A simple hypothetical cash flow model shows how various “cover ratios” are calculated—however, actual cash flows are affected by various factors and most likely deviated from those calculated *ex ante* (before the event) with implications for risk and return profile *ex post* (after the event).

Reading

Lecture note and power point slides.

Assignments

Students are required to read *one of the following articles* and to write a short note (up to 600 words) to identify and briefly describe risks to PPP project success. The note should be submitted by 21:00 on Friday, April 18 by e-mail (addressed to Nishizawa, tnishizawa@pp.u-tokyo.ac.jp; and cc to Santoso, ardhi.santoso.hm@gmail.com).

- ✓ "London Underground: A person on the line" (The Economist, February 7, 2002)
<http://www.economist.com/node/976425>
- ✓ "Infrastructure in India: RIPP" (The Economist, December 15, 2012)
<http://www.economist.com/news/finance-and-economics/21568397-indias-love-affair-public-private-partnerships-faces-stern-test-ripp>
- ✓ "High toll charges leave Portugal's drivers on road to nowhere" (Financial Times, August 25, 2013)
<http://www.ft.com/intl/cms/s/0/59949c24-0a3a-11e3-9cec-00144feabdc0.html#axzz2yAS9gsp>
- ✓ "Brazilian city model tackles schools shortage" (Financial Times, September 11, 2013)
<http://www.ft.com/intl/cms/s/0/ea745f4-143a-11e3-9289-00144feabdc0.html#axzz2yAS9gsp>
- ✓ "Infrastructure financing: A long and winding road" (The Economist, March 22, 2014)
<http://www.economist.com/news/finance-and-economics/21599394-world-needs-more-infrastructure-how-will-it-pay-it-long-and-winding>

Day 3, TBA: Risk management

Following introductory lecture by the instructor, students are asked to participate in class discussion moderated by the instructor with a view to identifying key risks involved in PPPs.

Reading

Lecture note and power point slides.

Assignment

TBA

Day 4, TBA: Government contingent liabilities

Day 5, April 28: For and against PPPs, followed by brainstorming exercise for group work

Day 6, May 12: "Public-Private Partnership in ASEAN Member Countries—Institutional Assessment to Develop Public-Private Partnership System" (TBC)

Day 7, May 19: Mid-term student presentation on group work (mid-term report due by May 23)

Day 8, May 26: Discussion on specific issues and cases (TBA), followed by feedback on students' mid-term reports (case study proposals)

Day 9, June 2: Discussion with practitioners (TBA)

Day 10, June 9: Legal aspects (TBA)

Day 11, June 16: Roundtable discussion with practitioners (TBA)

Day 12, June 23: Discussion on specific issues and cases (TBA)

Day 13, June 30: Discussion on specific issues and cases (TBA)

Day 14, July 7: Student presentation (for final report)

Day 15, July 14: Student presentation (for final report)
