



**UNECE**

**Working Party on Rail Transport**

**STANDARD ON PPP IN RAILWAYS**

A PRESENTATION BY:  
NARESH BANA  
TEAM LEADER

## BACKGROUND

- These international standard contains policy recommendations targeting governments which are considering the development and implementation of private-public partnerships in the railways sector
- It was prepared by a ECE Project Team composed of international experts with experience of Public-Private Partnerships in the railways sector and sustainable development initially led by Jonathan Beckitt and then by Naresh Bana. Anand Chiplunkar shared his vast experience at Asian Development Bank working on various PPPs. Scott Walchak ensured right coordination among various consultants sitting across the globe and managing the work of Project Team.
- The document was finalised by the secretariat following a public consultation as envisaged by the Open and Transparent Standard Development Process with input from various agencies, organisations, and individuals
- The document was reviewed and endorsed by the Bureau of the Working Party on Public-Private Partnerships with a recommendation to the Working Party to endorse it.
- It is now with Committee on Innovation, Competitiveness and Public-Private Partnerships for adoption

# OBJECTIVES OF THE STANDARD

- Intended to assist governments in the successful use of Public-Private Partnerships in the railways
- The challenge for governments developing Public-Private Partnerships in railways is to ensure consistency between their project delivery strategy and programme, and the achievement of the Goals and People-first Public-Private Partnerships
- Value for Money (VfM) is usually at the core of virtually all PPPs and figure large in the public sector's decision-making process. It is based on economy, efficiency and effectiveness (3Es) considerations and areas like procurement and administration costs have been the focus of Value for Money considerations
- A railways PPP would therefore be considered a Value for Money transaction if it generates a net economic benefit for the public in terms of the project outputs related to quantity, quality of the service or facility, cost and risk transfer over the project life, achievement of various transportation related goals, etc. and do so in comparison to the traditionally procured public approach
- However, assessing the outputs, outcomes and impacts of the project in improving people's lives is also equally important. A PfPPP should therefore be assessed on the basis of a Value for People (VfP) approach that is aligned to the achievement of the SDGs
- the Value for Money assessment needs to be broadened to include equity along with economy, efficiency and effectiveness

# SCOPE OF THE STANDARD

- Standard offers guidance on best practice in relation to the development and implementation of Public-Private Partnerships in the railways sector
- The term PPP programme is defined here as a framework and/ or series of projects under which a public authority grants long term contracts to a private sector partner for the design, financing, construction or refurbishment, operation, and maintenance of railways facilities and the provision of related services
- Under most PPP arrangements for railways, the private sector partner will raise private capital to pay for the new or renewed infrastructure, which will be repaid in most cases by a users' payment or a service concession (e.g. a availability payment structure) from the public authority

# CENTRAL QUESTIONS

- To achieve the Sustainable Development Goals (SDGs), significant investment in the improvement of railway infrastructure is required
- Noting that railways have both a direct and indirect role in contributing to the achievement of the Goals, it is necessary to link several different SDGs targets to railways projects
- Designing suitable measurement matrix to measure achievement of SDGs.
- Document should propose a Public-Private Partnerships model that is designed to assist governments in achieving their Goals
- What will it take to go beyond “Value for Money” and deliver “Value for People”

# WHAT IS PEOPLE-FIRST IN RAILWAY PPP

- People-first in the railways context is inter alia, railways that contributes to poverty eradication and the creation of economic opportunities through enhanced modes of transport systems that are more efficient, create less dependency on fossil fuels, and reach further to provide greater access and mobility to vulnerable members of society
- Railways helps reduce transaction costs not only by lowering prices but improving the variety and availability of goods while enhancing labour mobility and helping reduce regional inequalities
- Railways lines are viable from both an economic and business perspective but also provide a more durable and sustainable option for transport which benefits the environment, the government, and the communities they impact
- While transport is one of the greatest sources of greenhouse gas emissions, railways transport is viewed as relatively less harmful than private cars and trucks.



# PROJECT TYPES IN RAILWAY PPP

- Equipment / rolling stock / railways terminals / depots in Public-Private Partnerships. Where specific railways related equipment and systems (train control systems, signalling, train sets) are provided by the private partner to the government with a long-term obligation to finance, design, build, commission, operate, maintain and hand over those assets
- Airport Railways Link (ARL) Public-Private Partnerships where the private partner builds, operates and transfers a stand-alone railways line to and from an airport. These railways systems typically run between downtown/ urban areas and outlying airport facilities and are dedicated to airport traffic
- High Speed Railways (HSR) Public-Private Partnerships where a private operator constructs a high-speed railways line that typically connects adjoining urban centres and is typically an adjunct to but is not connected directly to conventional railways lines, and upon completion many high-speed railways lines are open to different train operators
- Conventional Railways Lines where the private partner is responsible for the entire railways system to be built, designs some or all the system, constructs the infrastructure, installs the systems and rolling stock, then operates the line for the life of the contract and transfers it to the public sector thereafter

# CHARACTERISTICS OF RAILWAY PPP

- Prevaling Contract Types Include DBFOMT, DBFMT, DBFT and O&M
- Risks in Railway PPP. Political risk, complexity risk and commercial risk.
- Public-Private Partnerships in railways allow for innovative forms of financing, including bond-financing, as these are long-term projects, and co-development such as transit oriented real estate development along the railways lines
- Trends now a days towards a availability-based concessions. The traffic based projects are less preferred
- Preference is to projects that are more integrated with existing systems and networks
- Developing existing railways networks is being prioritized over green field projects



## PUBLIC PRIVATE PARTNERSHIPS MEETING PEOPLE FIRST OBJECTIVES

- To be located such that they link ports, urban areas, industrial zones, tourism destinations etc.
- To focus on extending coverage into and between urban and rural areas
- Leverage project provisions to address social issues like improving gender equality
- Prioritize sustainable, resilient systems that can withstand changing operational circumstances
- Endeavor to reduce the reliance on private cars, relieve congestion, reduce carbon emissions
- Promote safety and feature enhanced safety measures for users
- Create land value and commercial activity along railways lines and at stations
- Align with other modes of transport and development strategy for the region or country
- Focus on governmental sustainability by relieving the operational burden

# DELIVERING MODEL

## ➤ Project selection and baseline requirements

1. Prepare an evidence -based delivery plan
2. Financing the DBFOMT model
  - 2.1 Carry out transparent business model analysis
  - 2.2 Develop a clear planning context
  - 2.3 Setup performance standards

## ➤ Financing requirements

1. Sources of finance and governance structures
  - 1.1 Financial institutions to remain on -board from beginning
  - 1.2 Offer robust payment security that guarantees investment return and debt repayment
  - 1.3 Develop a standardised “shadow” financial model against which to compare value generated by DBFOMT project vis-à-vis other models

# DELIVERING THE MODEL

## 2. Consultation and risk assessment

### 2.1 Realistically match capacity

### 2.2 Clearly set out risk transfer proposals

## C. Legal requirements

### 1. Establish a legislative framework

### 2. Standardisation of procurement protocols and documentation

## D. Feasibility for low and middle-income countries

## E. Other issues related to the railways sector

### 1. Regulation

### 2. Mixed economy infrastructure

### 3. Early termination arrangements

### 4. Real estate development



# INDICATORS FOR COMPLIANCE OF SUSTAINABLE DEVELOPMENT GOALS

- In addition to the performance parameters listed in the main text of the document, related to the technical aspects of railways management, PfPPPs also include indicators to monitor the outputs, outcomes and impacts of the project
- Contribution of project to the impacts on the SDGs. These are beyond the control of the concessionaire and not a part of the contract performance per se. However, the government agency can take cognizance of the impacts in reporting the progress of achievement of the SDGs



**END OF THE REPRESENTATION**