

The ADB logo consists of the letters 'ADB' in a white, serif font, centered within a dark blue square. The background of the slide features a light blue grid with various geometric shapes and icons, including a wind turbine, a bridge, and a dam, all rendered in a light blue line-art style.

ADB

# ADB's Standard Form Operation & Maintenance PPP Contract

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**Helen Steward**

Principal Markets Development Advisory Specialist

## Agenda

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- I. The Increasing Interest in PPP O&M Projects
- II. Why use PPP O&M approach?
- III. Key Issues in PPP O&M Projects
- IV. Overview of the ADB Standard Form PPP O&M Contract
- V. Approach Taken in Developing the ADB Standard Form PPP O&M Contract
- VI. Next Steps

# I. The Increasing Interest in PPP O&M Projects



Source: [Pixabay](#)

**Many countries are increasing their use of PPP O&M contracts to deliver infrastructure services**

**In a conventional PPP project, the private sector designs and builds a new infrastructure facility – but, under a PPP O&M arrangement, the facility has already been constructed by the government**

**PPP O&M contracts are being used to deal with a wide variety of infrastructure facilities, including:**

- older government-owned facilities that need to be refurbished
- facilities recently built by the government, which the government wishes to monetize



**University of Wollongong Student accommodation Concession**

Source: [www.kryfix.com.au](http://www.kryfix.com.au)

## I. The Increasing Interest in PPP O&M Projects (cont.)

A number of governments have developed programs featuring the use of PPP O&M contracts:

-  Australia's 'Asset Recycling' program
-  India's 'Toll-Operate-Transfer' highway program
-  the Philippines 'Build Better More' program
-  Indonesia's 'Limited Concession Scheme' program



**Manila MRT**

Source: [www.tripsavvy.com](http://www.tripsavvy.com)



## II. Why use PPP O&M Approach?

### The potential advantages for governments include:



Increase efficiency of operation and maintenance;



Potential to generate revenues for reinvestment in future infrastructure;



Enabling public sector to focus on other priorities;



In the case of older existing facilities, the government can take advantage of private sector expertise and financing to rehabilitate and maintain the asset











In the case of new facilities, the government is able to:

- ✓ initiate construction quickly by avoiding the complexity of a full DBFOM procurement process moderate public opposition to PPPs
- ✓ Attract more bidders, by eliminating the design/construction risk

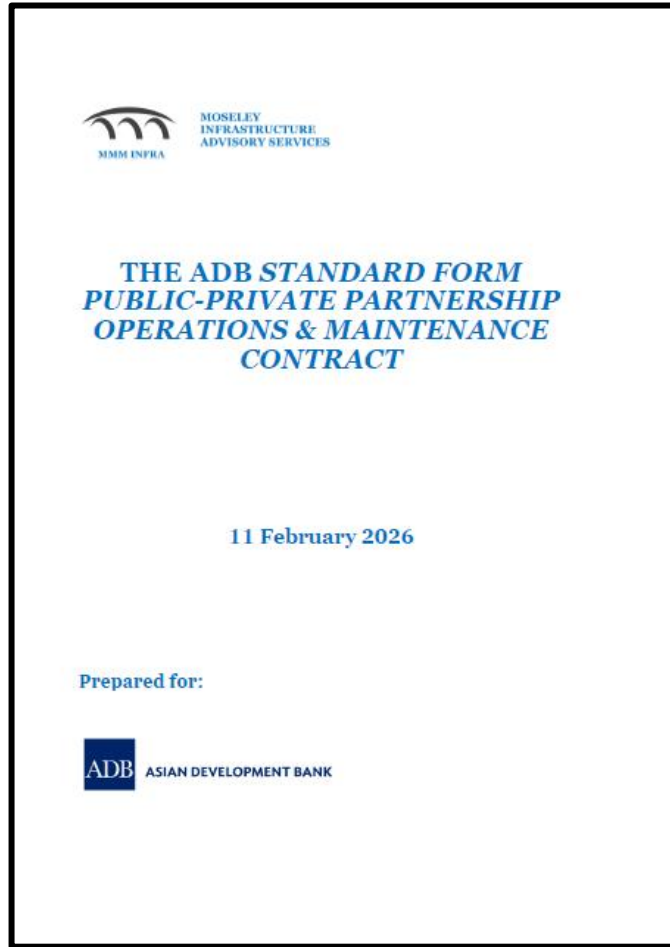


### III. Key Issues in PPP O&M Projects

-  For an older facility, needing refurbishment, the O&M Contract will need to contain provisions for Facility Improvements and potentially project finance, which means the contract must be 'bankable'
-  Arrangements for government employees working at the facility prior to the O&M contract
-  Assessing and agreeing on the condition of the facility at the start of the O&M contract
-  Allocating risks associated with latent defects
-  Private sector appetite to take long-term risk of operating an asset where they didn't have input to the design
-  The government does not obtain the benefit of the 'whole life' cost efficiency that is created by a conventional DBFOM contract
-  KPIs and penalty mechanisms in the O&M Contract may not be adequate to ensure high-quality services
-  Public sector lacks adequate knowledge of operating procedures to monitor performance or take over operations when the contract terminates



## IV. Overview of the ADB *Standard Form PPP O&M Contract*



The document is designed for emerging markets tendering the O&M of an infrastructure facility

The document consists of four parts:

- Part I - Introduction
- Part II - Risk Matrices + Contract Management Checklist
- Part III - Selected Additional Guidance Materials
- Part IV - The *Standard Form PPP O&M Contract*

The *Standard Form Contract* in Part IV provides guidance to Contracting Authorities and their advisors – it is not a ‘fill-in-the-blanks’ template

## IV. Overview of the ADB Standard Form PPP O&M Contract (cont.)

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The *Contract* is designed to reflect modern best practice;

Written in ‘plain language’, with extensive Guidance Notes, providing advice as to how its provisions can be adapted;

Includes both the Base Contract and key Schedules;

It is sector-generic, with options for both Availability Payment and End-User Payment arrangements;

The *Contract* can be used for:

- new facilities that a government has recently built; or
- existing facilities requiring rehabilitation, where the Project Company will need to borrow from commercial lenders to finance improvements;

# IV. Overview of the ADB Standard Form PPP O&M Contract (cont.)

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**Long-term O&M PPPs (> 10 years) have potential to deliver real benefits to government and users:**

- the ability to sustain high-performance standards over the life of a facility asset;
- high user satisfaction levels;
- Value-for-Money in the delivery of public services.

**The Standard Form PPP O&M Contract is designed to maximise those benefits:**

- Schedule 4 incorporates Service Requirements, including the KPIs;
- Schedule 9 details the Facility Improvement Plan;
- Schedule 10 details the Operation and Maintenance Plan;
- Schedule 12 sets out the Payment Arrangements, including the penalties for Private Sector non-performance;
- Schedule 14 sets out the Private Sector’s Environmental Obligations;
- Schedule 15 details the government’s requirements in regard to Community Benefits;



## V. Approach Taken in the *Standard Form PPP O&M Contract*

The *Contract* embodies the 'PPP 2.0' principles of collaboration and flexibility

The document is designed to improve the relationship between the Public and Private Sectors:

- An expanded role for the Project Coordination Committee (enabling Public sector to have more active engagement in contract management);
- Significant responsibilities given to the Independent Inspector;
- A 'knowledge sharing' obligation on the Private sector to train selected Contracting Authority staff;
- A more flexible approach to Project Modifications, including those necessitated by unforeseen climate and technology changes and other major disruptions;
- A scaled approach to Dispute Resolution, including a Dispute Resolution Board and restrictions on the scope of arbitration.

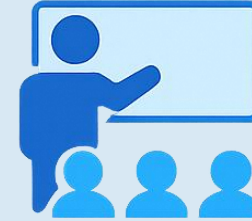
## VI. Next Steps

1



**ADB to pilot the PPP O&M  
Contract Template**

2



**Train ADB sector teams on  
how to use the template**

3



**Update the template  
following feedback from  
piloting**

4



**Publish the template for  
general use**