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# PPP Units and PIMAC of Korea

Dr. Hojun LEE  
(hojunlee@[kdi.re.kr](mailto:hojunlee@kdi.re.kr))

Director of PPP Division

Public and Private Infrastructure  
Investment Management Center (PIMAC)

## Part-01 | Overview



# Definition and Rationales

## Definition of a PPP Unit

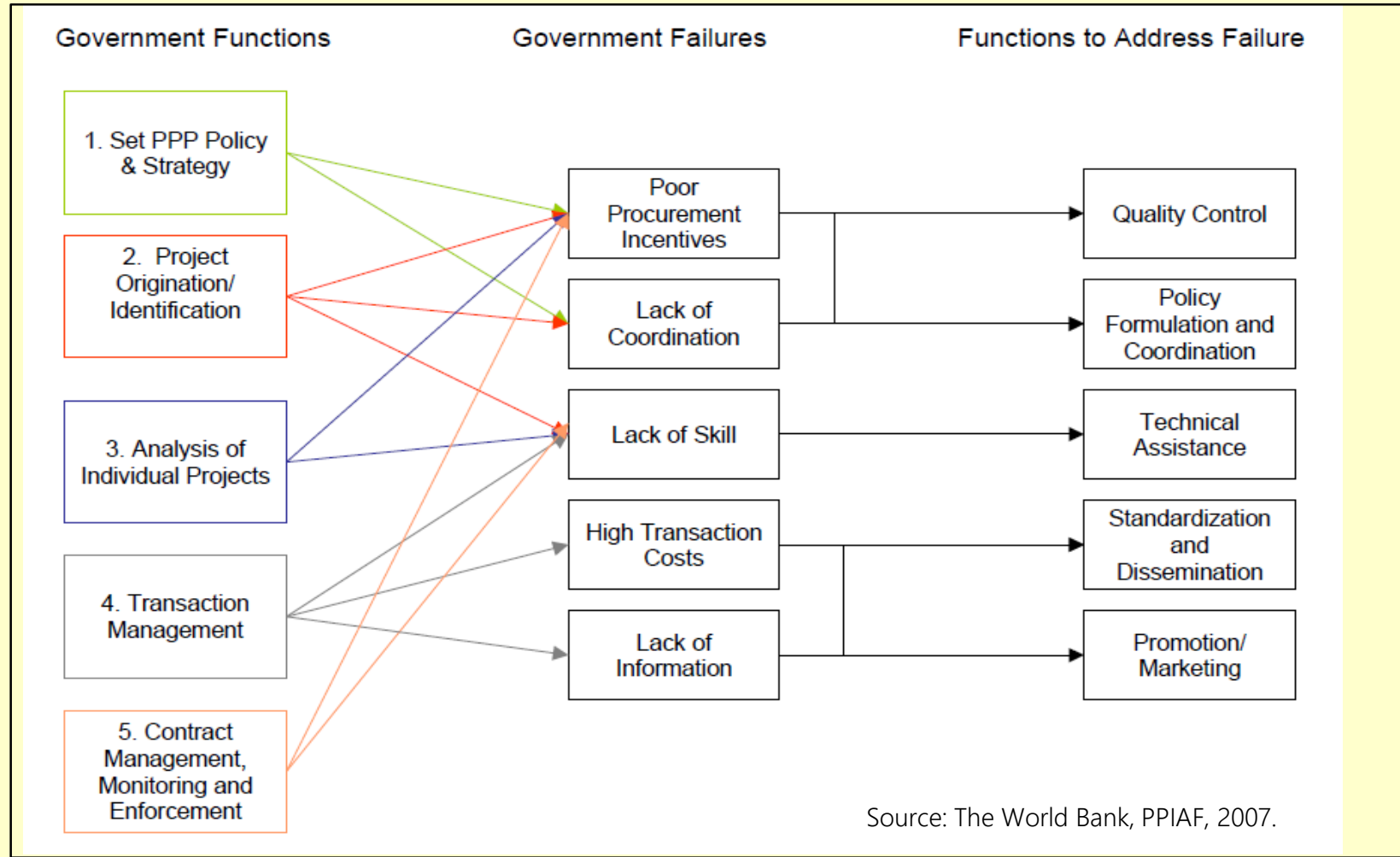
- ❑ **OECD defines “a dedicated PPP Unit as any organization set up with full or partial aid of the government to ensure that necessary capacity to create, support and evaluate multiple public-private partnership agreements is made available and clustered together within government”**
- ❑ **The World Bank and the PPIAF define a PPP unit as any organization designed to;**
  - Promote or improve PPPs by trying to attract more of them or by ensuring that PPPs meet such quality criteria as affordability, value for money, and appropriate transfer of risk.
  - Have a lasting mandate to manage multiple PPP transactions, often in multiple sectors. This distinguishes PPP units from PPP teams working in a single ministry or committees created to work on specific transactions.

# Definition and Rationales

## Rationale for a PPP Unit

- ❑ **“Government failure” in managing PPP programs effectively leads to the creation of a PPP unit.**
  - Governments in different countries suffer from different institutional failures or constraints in PPP procurement.
- ❑ **Therefore, PPP units need different designs in different countries to effectively address those failures/constraints considering each country’s specific context.**
  - functions, locations, organizational set-ups, operations of the units vary.

# Functions



# Functions

## Primary Functions

### Policy Level

Setting PPP policies and regulations



### Project Level

Analysis of individual projects



Technical supports for procurement process



Contract management & monitoring

# Organizational Set-up and Operation

## Legal Status and Authority

### ❑ Legal status

- Legal status can be established by legislation or decree
- Establishing legal base demonstrates strong government commitment and ensures authority
  - ✓ effective in enhancing private sector confidence in the PPP program
- Continuous deal flows are needed

### ❑ Authority

- advisory only vs. legal authority to enforce compliance
  - ✓ associated with functions of a PPP unit
- PPP units with legal authority and enforcement power tend to be more effective
- Authority must match the objectives of the PPP unit

# Organizational Set-up and Operation

## Staffing

### ❑ Skills

- technical skills (project assessment, technical assistance)
  - ✓ *ex) economics, finance, law, engineering, accounting, sector specific skills, etc.*
- project management, coordination and facilitation

### ❑ Experience & background

- civil servants
  - ✓ *lack of required skills, field experience, and commercial orientation*
- private experts / consultant
  - ✓ *conflicts of interest, difficulty in attracting highly skilled professionals in case of govt.-funded institution*
- secondment from public/private sector



# Organizational Set-up and Operation

## Operational Funding

### ❑ Funding sources

- government budget
- service fee(project base): charged on government organizations in part in full
- contributions from the public and private sector
- international donors

### ❑ Modes of funding are related to the location of the PPP units and general practices within the government

### ❑ Source of funding may affect the behavior and operation of the PPP unit (bias toward more / less PPP projects)

# Organizational Set-up and Operation

● = Yes ○ = No

	Country	Year created	Policy guidance	Technical support	Capacity building	Promotion
Case studies	Germany	2009	●	●	○	○
	Korea	1999	●	●	●	●
	United Kingdom	1997	●	●	●	●
	Victoria (Australia)	2000	●	●	●	●
	South Africa	2000	●	●	●	○
Other member countries	Czech Republic	2004	●	●	●	●
	Denmark	2006	●	●	○	●
	Flanders (Belgium)	2002	●	●	●	●
	France	2005	●	●	○	●
	Greece	2006	●	●	○	●
	Hungary	2003	●	●	○	○
	Ireland	2003	●	●	●	●
	Italy	1999	○	●	●	●
	Japan	2000	●	●	○	○
	Netherlands	1999	●	●	○	○
	New South Wales (Australia)	2000	●	●	○	●
	Poland	2001	●	●	○	○
	Portugal	2003	●	●	○	○
	Total		17	18	8	11

# Organizational Set-up and Operation

## Functions and roles in the procurement cycle

	Korea			UK		
	Procuring govt. org.	MOSF	PIMAC	Procuring govt. org.	HM Treasury	PPP Policy Team
<b>Pre-tender</b>						
Project initiation	●	-	-	●	●	○
Assess feasibility & VFM	●	○	●	●	○	●
Budgeting	●	●	-	●	●	-
Project approval	●	●	○	●	●	●
<b>Tender</b>						
Invitation to tender	●	-	-	●	-	-
Bid evaluation	●	-	○	●	-	-
Negotiation	●	-	○	●	-	-
Bid approval	●	-	-	●	-	-
<b>Post-award</b>						
Contract management	●	○	○	●	-	○
Payment oversight	●	○	-	●	○	○

● = direct responsibility, ○ = indirect responsibility, - = N/A

# Organizational Set-up and Operation

## Functions and roles in the procurement cycle

	Germany			South Africa		Victoria, AUS	
	Procuring govt. org.	Federal MOF	Partnerships Germany	Procuring govt. org.	Natl . Treasury PPP Unit	Procuring govt. org.	Partnerships Victoria
<b>Pre-tender</b>							
Project initiation	●	-	-	●	●	●	●
Assess feasibility & VFM	●	-	○	●	●	●	●
Budgeting	●	●	○	●	○	●	●
Project approval	-	●	○	●	●	●	●
<b>Tender</b>							
Invitation to tender	●	-	○	●	○	●	-
Bid evaluation	●	-	○	●	○	●	-
Negotiation	●	-	○	●	○	●	-
Bid approval	●	-	○	●	●	●	-
<b>Post-award</b>							
Contract management	●	○	○	●	○	●	○
Payment oversight	●	○	○	●	○	●	○

## Part-02 | PIMAC-PPP Unit of Korea



# Legal framework

- ❑ PIMAC (Public and Private Infrastructure Investment Management Center), is an affiliated body of KDI.
  - KDI, founded in 1971, has emerged over the past four decades as the leading think-tank in Korea.
- ❑ PIMAC is an statutory organization established as a merger of PIMA and PICKO by the amendment of 'The PPP Act' in January 2005.
  - The PIMA (Public Investment Management Center) of KDI, founded in Jan. 2000, centered on research and management of public investment project
  - The PICKO (Private Infrastructure Investment Center of Korea) of KRIHS (Korea Research Institute for Human Settlements), founded in April 1999, centered on research and management of PPP projects.

# Missions of PIMAC (Public Investment)

## ❑ The Role of PIMAC stipulated by the National Finance Act

### 1) Evaluator and/or Government Agency in Public Investment Management (PIM) :

- Carry out preliminary feasibility study (PFS)
- Carry out re-assessment study of feasibility (RSF)
- Carry out re-assessment of demand forecast (RDF)
- Carry out in-depth evaluation of budgetary program (IEBP)

### 2) Researcher

- Support for new initiatives of better PIM
- Policy studies on PIM

# Missions of PIMAC (PPP)

## □ The Role of PIMAC stipulated by the PPP Act

### 1) Researcher

- Support for formulation of the Basic Plan for PPP
- Theoretical and policy studies on PPP programs
- Development of implementation guidelines

### 2) Advisor and/or Government Agency in Project Management

- Development of PPP projects
- Execution and Review of VFM test
- Support for formulation of RFPs
- Review of RFP and concession agreement
- Assistance in tendering and negotiation

### 3) PPP Market Promoter

- Training programs and seminars on PPP for public officials
- International cooperation
- Database management



# Legal Base of PIMAC

## ❑ PPP Act

- Article 23: Establishment of PIMAC

## ❑ PPP Enforcement Decree

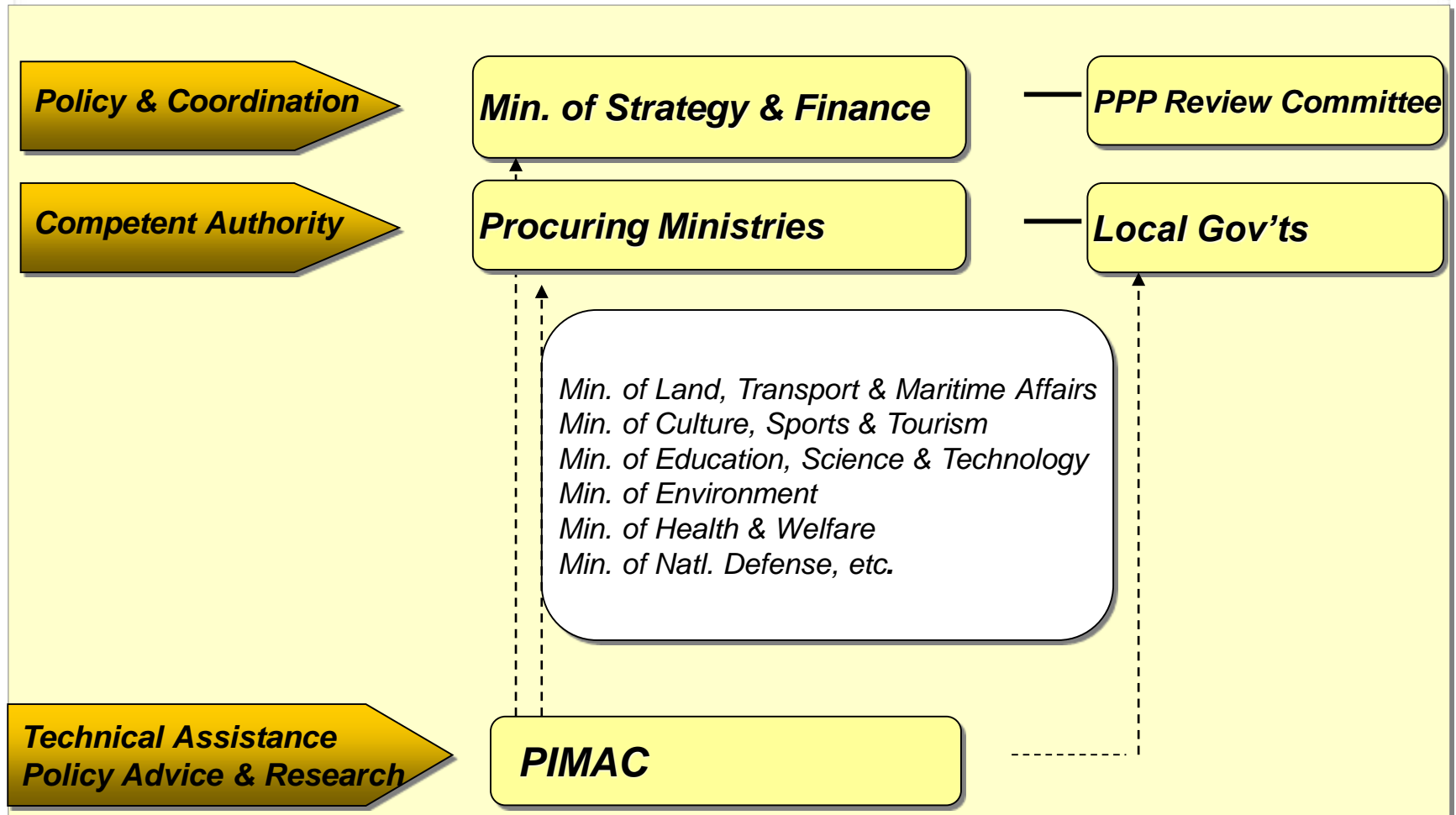
- Article 20: Role of PIMAC
  - ✓ *Support for work relating to the formulation of the basic plan for PPP*
  - ✓ *Support for work regarding the formulation of RFP, designation of the concessionaire, such as the review, assessment on the project proposal, and conclusion of the concession agreement*
  - ✓ *Support service in various applications for approval and permission regarding PPP projects*
  - ✓ *Support service for foreign private investors, such as investment consultation and other activities to induce foreign investment in PPP projects*
  - ✓ *Review of potential PPP projects and feasibility studies*
  - ✓ *Development and operation of education programs related to the implementation of PPP projects*

# Legal Base of PIMAC

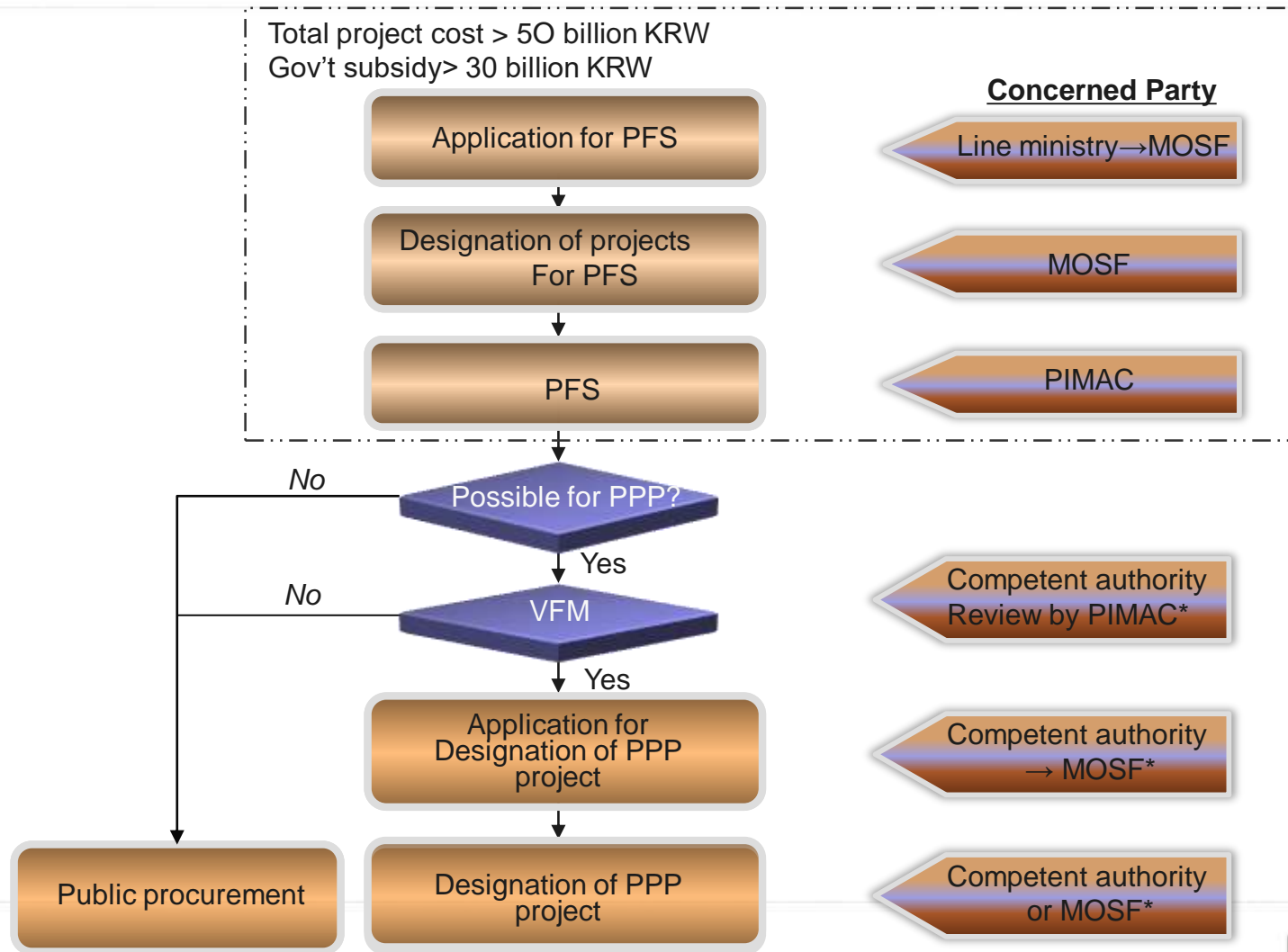
## □ PPP Enforcement Decree

- Article 20: Role of PIMAC (continued)
  - ✓ Improvement of PPP systems and research in related fields
  - ✓ Support for work related to developing potential PPP projects
  - ✓ Other work related to the implementation of PPP projects.
- Article 21: Organization of PIMAC
  - ✓ *The Director of PIMAC shall be appointed by the President of KDI from among experts in a field related to public and private infrastructure investment management.*
  - ✓ *The Government may cover the costs necessary for the management of PIMAC within budgetary limits.*
  - ✓ *The Director of PIMAC shall submit a report on the results of its operation to the Minister of Strategy and Finance*
  - ✓ *The President of KDI shall establish regulations in relation to the organization, the standards of business conduct, etc. of PIMAC, after prior consultations with the Minister of Strategy and Finance*

# Public Sector Players in PPP

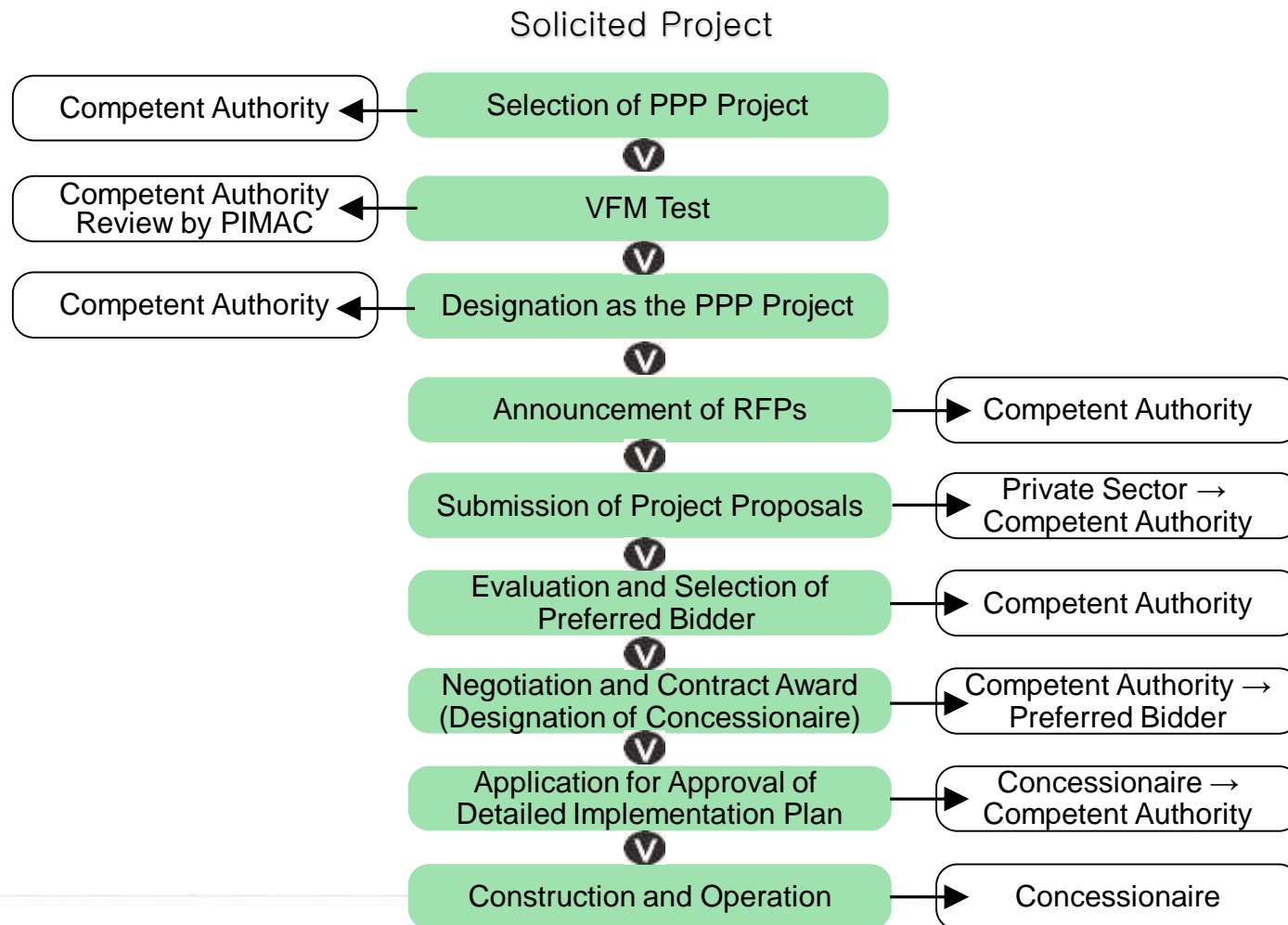


# Procurement Steps of a Solicited Project

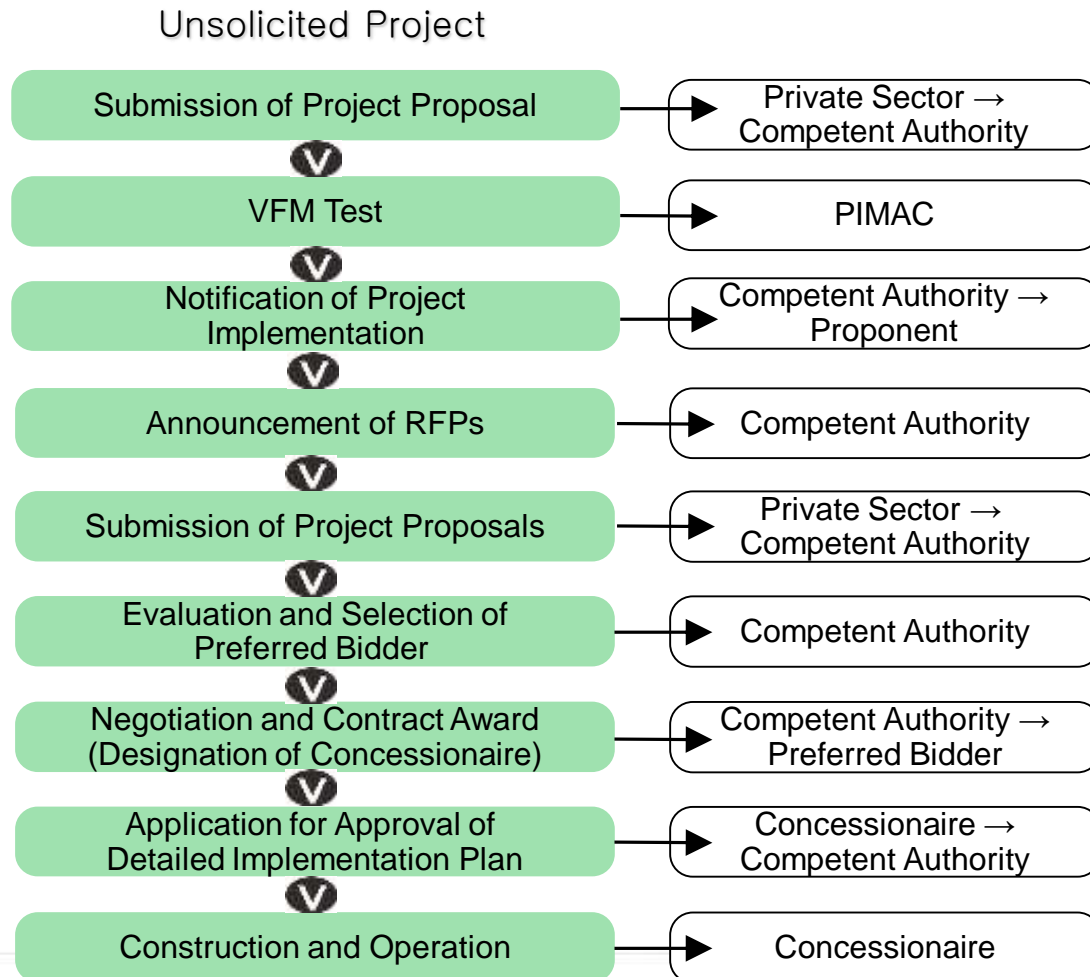


Source: Ministry of Strategy and Finance, 2014 Basic Plans for PPP, 2014.

# Procurement Steps of a Solicited Project

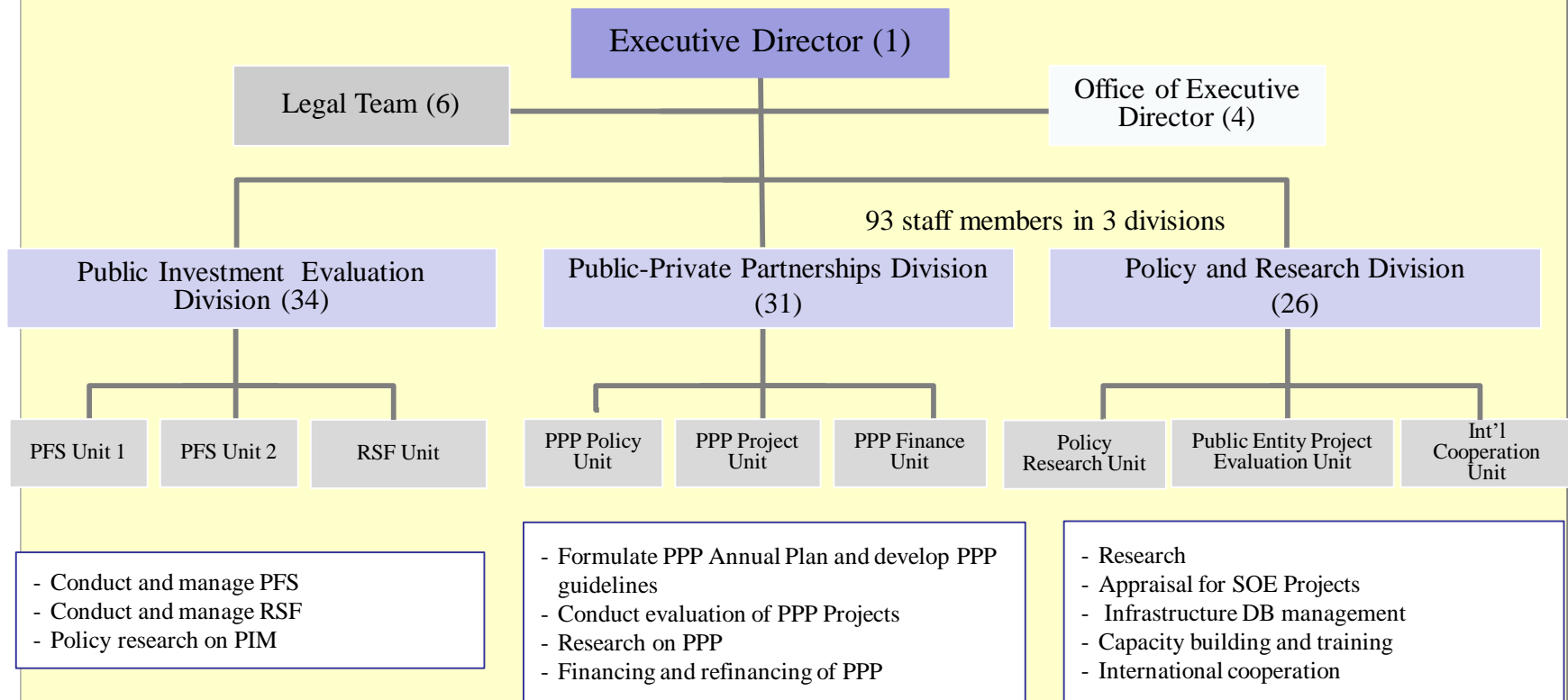


# Procurement Steps of an Unsolicited Project



# Organization of PIMAC

❑ Enables comprehensive and systematic management of both traditional public investment and PPPs



# Staffs of PIMAC

Areas of Expertise	Head-Count
Economics	24
Finance / Business / Accounting	16
Law	7
Transport	14
Engineering (civil, architecture, environment, etc)	8
International Cooperation	3
Others (eg. Urban planning, real estate, tourism, etc)	21
<b>Total</b>	<b>93</b>

As of January 2014



# Performance of PIMAC as a PPP Unit

Duty		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Feasibility studies/Private sector proposal examinations/Feasibility analyses	Feasibility studies							4	1	12	10	25	5	3	5	2
	Proposal examinations	5	23	19	22	39	15	11	12	11	15	14	13	10	5	7
	Feasibility analyses (BTL)	4	8	10	0	4	4					68	17	14	20	15
RFP/Request for alternate proposal examinations		7	7	9	7	12	11	48	57	62	42	42	35	18	14	12
Project plan assessments		1	2	8	7	0	7	16	8	17	5	1	7	4	2	
Negotiations for concession agreement conclusion		3	32	23	25	29	20	6	8	6	8	4	4	3	3	
Other (agreement examination, counseling)								41	117	149	178	130	110	115	193	160
Refinancing negotiations and preliminary examinations										4	12	14	9	16	22	28
Events and education programs		4	5	3	5	5	8	20	27	24	25	22	15	19	32	38
Dispute arbitration examinations															3	1
Public investment policy forums												1	4	6	6	2
Total		24	77	72	66	89	65	146	230	285	295	321	219	208	305	265

Source: KDI, PIMAC Infra info DB

Notes: 1) Feasibility study category for 2011 includes feasibility analysis examinations for BTO projects.

2) Figures for studies, examinations, analyses, assessments, and negotiations reflect total completed by the end of the year.

# Lessons and Challenges

## ❑ Outside of Government Body

- Improved the independent studies and evaluations
- Flexible to hire experts (helps human capital accumulation)
- Keep consistency in the analyses.

## ❑ Unified institutional framework

- Covers Traditional Procurement Projects and SOE Projects as well as PPP
- Keep efficiency and consistency in overall public investment management

## ❑ Market Promoter vs. Project Evaluator

- By PPP act, PIMAC is a PPP market promoter as well as a Project evaluator on large-scale PPP projects.
- Sometimes conflict of interests
- Try to balance two roles with various types of guidelines

- minimize the researchers' discretion

*Thank you*

Korea's Leading Think Tank

