

# Making PPPs work

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## *Single Window*

*Antananarivo, 17<sup>th</sup> September 2013*

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WHEN YOU NEED TO BE SURE

**SGS**

## Who are we?



- Multinational company based in Geneva, Switzerland
- Founded in 1878, Listed publicly in 1985
- World's biggest inspection, verification, testing and certification organization.
- 75'000 employees in 140 countries, 1'000 offices and laboratories.



# BUILDING TRUST THROUGHOUT SUPPLY CHAINS



← FROM FIELD TO CONSUMER →



**Agricultural Services**



**Automotive Services**



**Consumer Testing Services**



**Environmental Services**



**Government Institutional Services**



**Industrial Services**



**Life Science Services**



**Minerals Services**



**Oil, Gas & Chemicals Services**



**Systems and Services Certification**

The new SGS Headquarters, Geneva

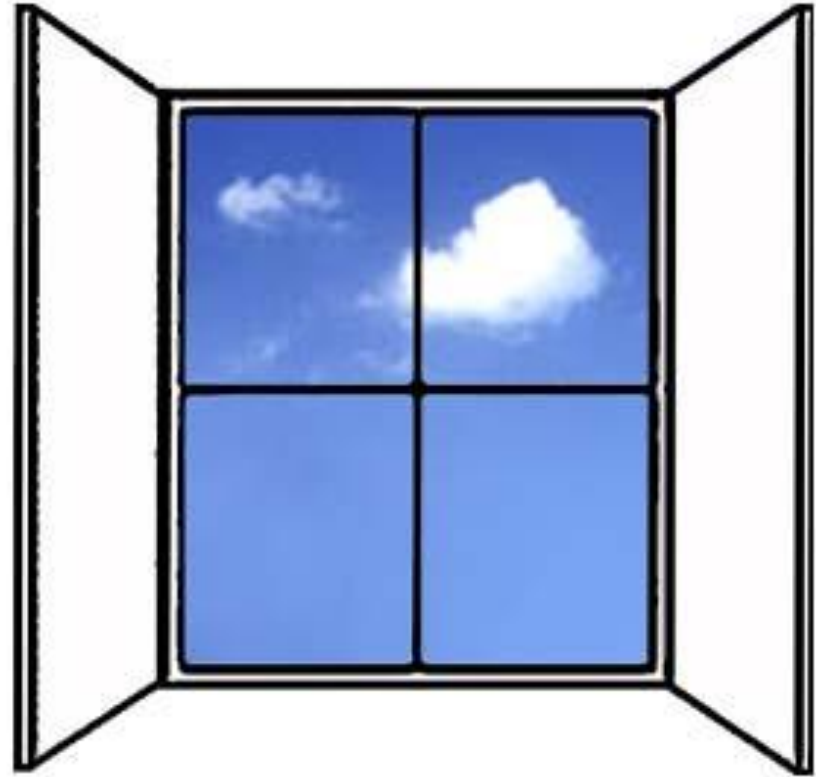


- We have a long history of working with Customs and the trade community at large
- We operate all over the world
- We understand international trade

We are therefore fully equipped to help **facilitate trade** through:

- Single Window solutions – **TradeNet / CMS**
- **Scanner** services
- Traceability solutions - **Omnis**
- Valuation assistance – **ValuNet / ValiTrade**
- Risk profiling assistance - **Profiler**

## MANAGING SINGLE WINDOW



- SGS working with CrimsonLogic since 1999 and in formal partnership since 2005.
- SGS is not an IT company - we operate as strategic investor and system integrator. CrimsonLogic provide the technology.
- Our role is to ensure the system is well integrated into the environment and we commit to make the system work, in a sustainable way
- We operate through PPPs and Joint Venture companies
- We currently manage 3 Joint Venture companies:



Our approach is:

- We provide a **service**, we do not supply technology.
- We are an **Enabler** and not a Supplier or Vendor
- We are **Hand-on** and not Hands-over
- We are **Collaborative** and **Inclusive** and not Remote and Imposed
- We look for **Value** not expense
- We look for long term **reward** not short term gain



Do not confuse this for an IT project – **it is not.**

- Operating in emerging markets where infrastructure is often weak under the surface and professional capacity contains gaps.
- Making such a solution work reliably in such conditions is a major challenge. It is not until you try one out that you realise what it means to ensure reliability in a weak environment.

## Why do many Government IT-based projects fail?

- Attempt to design the most sophisticated solution one can think of and loosing sense of pragmatism
- Approach it as a technical IT project rather than a holistic solution containing IT
- Financing the Capex to get the system operational but completely ignoring the recurring costs – which are very significant in IT.
- Neglecting the fact that the project WILL be more expensive than initially planned.
- Not considering the evolution of the solution in the long term.
- Insisting on controlling all the components – source code, configuration, support etc... Outsourcing is ok.
- Underestimating the base infrastructure required.
- Misalignment between what the government wants and the Private can or is willing to provide.

## What is a Public Private Partnership?

- Many definitions available.
- Common thread is:
  - Provide a service usually provided by the Government
  - Allow each sector to do what it does best
  - joint initiative and joint management
  - Financing provided by the partners
  - Recoup of investment over time
  - Shared risk
- In 1999 – Implementing a Customs IT solution in an African country under PPP what unheard of. This is what SGS did in Ghana.



## Ghana Community Network

- In 2000, SGS established GCNet. Shareholding:
  - 60% SGS
  - 20% Customs
  - 10% local banks
  - 10% Shipping Association
- Objective: Design, Finance, implement, operate a new fully integrated IT solution for Customs and the supply chain at large.
- Concession for 10 years
- Network Charge applied on all imports.
- Company currently employs 250 people
- Today GCNet has been joined by GasyNet and MCNet using the same successful model.

- It is first and foremost a means of securing rapid financing

BUT it brings so much more:

- It spreads the risk
- It motivates ALL partners to find solutions to make the programme work
- It ensures sustainability
- Every party concentrates on its own role
- It creates dynamism – keep developing and innovating
- It is self-balancing
- It is financially interesting for the investors – if you are patient.

## What are the ingredients of a SeW PPP?

- Formation of a Joint Venture company with shareholding from both the Private and Public sectors.
- A concession provided by the Government mandating the JV to operate the Single Window over a pre-defined number of years.
- Establish whether assets will be transferred at the end of the concession – BOT or BOO.
- Obligation for all imports and exports to use the Single Window – no bypassing.
- All investment (capex) is provided by the shareholders
- All initial operating costs (opex) supported by the shareholders.
- Revenue generated through a « Network Charge » and applied usually on imports.

- Programme is implemented within the path of least resistance. Pragmatic and usually quicker than any other method. But delays do occur and budgets can be exceeded.
- Traders pay a « Network Charge » but clear their goods significantly quicker than they did previously. The overall cost of doing business is diminished.
- Government which is a shareholder in the JV:
  - Enjoys increase in collection of duties and taxes
  - Collects corporate tax on profit made by the JV
  - Collects dividend on the profit made by the JV
- Once the system operational, the main investor enjoys a stable revenue stream for the length of the concession.

- Base principles have to be followed but then SGS is flexible in the financial construction in order to adapt to the environment.
- Preference for SGS, is to take between 60 and 70% of the shareholding. The balance either totally Government or split Government-local private sector.
- Rigid assessment of local private sector to avoid conflicts of interest.
- Usually every shareholder invests proportionally to shareholding.
- In certain cases, SGS can lend funds to the government shareholder at commercial rates who then reimburses through dividend.
- In certain cases, SGS can operate with a minority shareholding but this would require a Management Contract to ensure control over implementation process.



- Typical breakdown of investment costs:
  - JV Offices 5%
  - Data Centre 10%
  - Software 35%
  - Hardware 10%
  - Physical infrastructure 25%
  - Training and capacity building 10%
  - Communication 5%
- Only about 35% of the full investment is dedicated to software development.
- Need to consider reinvestment after a certain number of years.

## Conclusion

- The PPP model is very well suited for SeW projects. Debatable for other E-Gov initiatives
- Government needs to have ownership of the project and to demonstrate political will to make it work .
- The private sector brings expertise and urgency to the process as it is investing its own money
- It is proven that Government IT project managed by Government alone have a very high failure rate .
- Financing of a SeW is complex as it involves many components.
- Government contribution to financing can be obtained through the Government resources or through the donor community. Not incompatible with PPP



## Thank you for your attention

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**For any question, further  
details and clarification please contact:**

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