

**PUBLIC-PRIVATE PARTNERSHIPS:
THE CASE STUDY OF THE COLOMBO PORT CITY**

**MASTER OF SCIENCE
(By Research)**

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THE CASE STUDY OF THE COLOMBO PORT CITY**

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Declaration

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Abstract

Public Private Partnerships (PPPs) are defined as “...a cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks, and rewards”. It is noted that not all PPP projects are successful. This has resulted in a number of studies focused on identifying critical success factors in order to maximize advantages and reduce risks for all parties involved in the project.

The Colombo Port City Project (CPCP) is widely regarded as the largest and most ambitious Sri Lankan PPP and Foreign Direct Investment (FDI) undertaking to date and is a collaborative project between the Government of Sri Lanka (GOSL) and the China Harbour Engineering Corporation (CHEC) Port City Colombo (Pvt) Ltd. The project faced early setbacks and controversy due to alleged mishandling of key processes. This study provides an in depth analysis of the CPCP which provides valuable insights on the nature of PPP projects in the Sri Lankan context. This in turn helped establish the factors to be considered for the successful implementation of future PPP projects in Sri Lanka and other developing nations.

Information was gathered from the review of various types of literature, key informant interviews and a questionnaire survey. Attempts were made to contact a wide range of respondents with various levels of involvement in the project in order to obtain a holistic view of the project and its issues. The Summary Cost Benefit Analysis (CBA) was reviewed and the separation of the CBA based on GOSL and CHEC perspectives indicated that the GOSL receives a lower Net Present Value (NPV) and Internal Rate of Return (IRR) compared to the Summary CBA, while the CHEC receives a negative NPV. This indicates that the Chinese backed CHEC’s motives for the project are likely to be strategic, long term economic and political benefits.

The findings revealed that fewer than 66.7% (2/3rd) of the population support the CPCP due to environmental, social and political concerns. Fewer than 66.7% (2/3rd) of the population believe that the CPCP is a PPP, although there is agreement of the presence of some PPP characteristics in the CPCP. The analysis of major issues indicated that although the media primarily reported on environmental issues, political and governance issues too were considered very important.

The ranking of Critical Success Factors (CSFs) indicated that there is a considerable difference between the ranking of CSFs in the Sri Lankan context and in other countries such as Australia and the UK. The Sri Lankan study reveals that overall, respondents placed greater importance on non-economic CSFs relating to governance and politics in comparison to rankings by other countries in previous studies. However, the ranking of CSFs based on the perspective of supporters of the CPCP preferred to assign greater importance to economic CSFs, indicating that their support is based on the perceived economic benefits of the project. In contrast, those who oppose the project ranked political and governance issues much higher than most economic CSFs indicating that their opposition is based on concerns over political and governance issues. The general percentage agreement between the two groups was very low at only 34.4%. However, the ranking of ‘a favourable legal framework’ and ‘conducting in-depth studies for a thorough and sufficient EIA’ were ranked in the top 5 by all parties, while ‘the ability of regulatory authorities to act independently’ and ‘consideration of demands placed by the project on existing infrastructure were ranked in the top 2 spots overall.

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List of Abbreviations

| | |
|------|--|
| ADB | : Asian Development Bank |
| AG | : Attorney General |
| Aus | : Australia |
| Avg | : Average |
| BII | : Bureau of Infrastructure Investments |
| BOI | : Board of Investments |
| BOOT | : Build Own Operate Transfer |
| BOT | : Build Operate Transfer |
| CBA | : Cost Benefit Analysis |
| CBD | : Central Business District |
| CCCC | : China Communications Construction Co |
| CCD | : Coast Conservation & Coastal Resources Management Department |
| CDC | : Commonwealth Development Corporation |
| CEA | : Central Environmental Authority |
| CHEC | : China Harbour Engineering Corporation |
| CMC | : Colombo Municipal Council |
| CMR | : Colombo Metropolitan Region |
| CPC | : Colombo Port City |
| CPCP | : Colombo Port City Project |
| CSF | : Critical Success Factor |
| CSP | : Colombo South Port |
| DBF | : Design Build Finance |
| DBFO | : Design-Build-Finance-Operate |
| ECBA | : Extended Cost Benefit Analysis |
| ECT | : East Container Terminal |
| EIA | : Environmental Impact Assessment |
| EMP | : Environmental Management Plan |
| EPC | : Engineering, Procurement, Construction |
| EU | : European Union |
| FDI | : Foreign Direct Investment |
| GOSL | : Government of Sri Lanka |
| GSMB | : Geological Survey and Mines Bureau |

HK : Hong Kong
IEE : Initial Environmental Examination
IFC : International Finance Corporation
IMF : International Monetary Fund
IRR : Internal Rate of Return
IT : Information Technology
LHI : Lanka Hydraulics Institute
Max : Maximum
Min : Minimum
MOU : Memorandum of Understanding
MPPA : Marine Pollution Protection Authority
NARA : National Aquatic Resources Research and Development Agency
NBT : Nation Building Tax
NHO : National Hydrographic Office
NPV : Net Present Value
PA : Percentage Agreement
PAA : Project Approving Agency
PC : Project Company
PD : Percentage Disagreement
PFI : Private Finance Initiative
PLC : Public Limited Company
PPP : Public Private Partnership
RAF : Rank Agreement Factor
RFP : Request For Proposal
SAGT : South Asia Gateway Terminals
SCARC : Standing Cabinet Appointed Review Committee
SEIA : Supplementary Environmental Impact Assessment
SI : Stakeholder Involvement
SLLRDC : Sri Lanka Land Reclamation & Development Corporation
SLPA : Sri Lanka Ports Authority
SPV : Special Purpose Vehicle
SSFs : Sub Success Factors
TEC : Technical Evaluation Committee
TOR : Terms of Reference

UDA : Urban Development Authority
UK : United Kingdom
UNCLOS : United Nations Convention on the Law of the Sea
UoM : University of Moratuwa
USD : United States Dollar
VAT : Value Added Tax
VFM : Value For Money
XDR : External Data Representation