for successful Public- Private Partnerships by the European Commission, Promoting PPP in Bangkok Mass Rapid Transit (BMRT) and other infrastructure and so on. This will give more room for the private sector to innovate and offer efficient solutions and also a framework for delivering services according to the desired quality and output specifications.

The life of the PPP projects are normally 15-30 years. From bidding announcement to financial close takes at least 2-3 years; even the construction takes another 3-4 years. Therefore the inception period of the PPP projects is very crucial for countries in the subcontinent like Bangladesh, India, and Pakistan as the tenure for elected governments is only 5 years. These large projects need everyone's support.

Direct negotiation is not at all a good choice for countries like India, Pakistan and other developing countries where unstable political structures exist. Enron sought and obtained a contract without competitive bidding in Dabhol project, India. It was eventually found that that the tariff rate was high in this case. Contrarily competitive tenders are likely to yield more positive results for a country.

Financial factors

Costing and pricing issues are also very crucial and sensitive in PPP projects. It requires a perfect match between assets and liabilities with cash flows. Banks usually carry short-term liabilities whereas infrastructure loans are long term in nature, usually 10-12 years. And the leverage of PPP projects is normally 70% debt and 30% equity. Debt comes from commercial banks, international financial institutions, export credit agencies. Countries like Bangladesh, India, Pakistan depend to a large extent on foreign debt and equity due to weak or absence of adequate local capital market and contribution of domestic loans. Therefore, it requires participation of Multilateral Development Banks, Bilateral banks such as the World Bank and Asian Development Bank whose repayment tenure is relatively longer with less interest rate. In addition to that, presence of these banks not only encourage other investors, foreign and domestic banks to provide capital -- both debt and equity in the project but also enables to get government guarantees against Confiscation, Expropriation, Nationalisation and Deprivation (CEND). This happened in Hubco Project, in Pakistan. The World Bank guarantees for this project served as a model for future guarantees in support of other BOO projects in Pakistan. Bangladesh needs to open up this avenue to get finance, assistance and guarantees for PPP projects from these MDBs and regional development banks. Nevertheless, Bangladesh government can also initiate bond financing either at the initial stage or after commercial operation of PPP projects.

It is essential for the government to appreciate that in order for most PPP infrastructure projects to succeed, they must shoulder certain risks

One thing that needs to be considered is that country risk highly influence financing of PPP projects. This can be better perceived by Sovereign Credit Rating (SCR). Credit rating helps to understand investors on risk exposures and uncertainty, default records and access to international bond markets for a specific country. International banks use SCR to avoid problems with home country regulation through certification of their portfolios by independent raters. Legal institutional factors are the crucial determinants of sovereign credit rating. Normally projects do not receive a rating higher than the host country's SCR. But projects may get improved rating through creditworthy agencies (i.e. financially sound off-taker), tight off-take agreement, reliable supply agreement and setting escrow accounts (either offshore or onshore depending on lenders' requirements). Better sovereign credit rating (SCR) helps to find a variety of options for international debt financing. The degree of government involvement has significant impact on SCR and can influence financial structure of a project company.

The government involvement can be direct or indirect. Non-investment grade countries like Bangladesh, India and Pakistan require sound and strong infrastructure sector strategies, policies, reliable sponsors, sensible and transparent purchase agreement.

Risk factors

PPP projects involve a plethora of risks. A key aspect of PPP structure is its ability to help transfer risks to parties that is best suited to manage or minimise it. There is a misconception that in PPP the public sector transfers all risks to the private sector that are traditionally borne by the government. This is an incorrect view. Risks are properly allocated and distributed to parties who are experts in their specific fields on mitigating risks. Non-identification and improper allocation of risks to