

ENHANCING VALUE FOR MONEY IN PUBLIC PRIVATE PARTNERSHIP PROJECTS OF BANGLADESH

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Submitted by

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DECLARATION

I hereby declare that the content of this thesis has never been submitted for fulfilment of another academic degree or certification to other academic institutions or universities-except this degree in Masters in Procurement and Supply Management (MPSM) at BRAC University, Bangladesh. I also confirm that this dissertation work is an illustration of my own research work. Any research works of other writers in this paper have been distinctly recognized.

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CERTIFICATION

It is indeed a great pleasure to certify that the dissertation entitled “Enhancing Value for Money in Public Private Partnership Projects of Bangladesh”, completed under my guidance and supervision, is a unique work of Md. Saifur Rahman. So far I know, the dissertation is an individual achievement of the candidate’s own efforts and it is not a joint work. Also, I would like to acknowledge this dissertation acceptable for submission to BRAC Institute of Governance and Development (BIGD), BRAC University for partial fulfilment of the requirement for the degree of Masters in Procurement and Supply Management (MPSM).

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ABSTRACT

With the rapid pace of civilization, Public Private Partnership (PPP) has been emerged as a great solution for meeting the extreme demand of additional public infrastructure in many countries across the globe. Lately, the government of Bangladesh has stepped into PPP through issuance of Policy and Strategy for Public Private Partnership (PSPPP) 2010 and enactment of the Bangladesh Public Private Partnership Act 2015. However, expected response from the private investors was not yet received. This might be due to the fact that the offered projects lack sufficient value to attract private investors into PPP. Hence, identifying the significance of Value For Money (VFM) factors appears to be essential for understanding the shortcomings of present PPP projects. This research aims to recognize the importance of VFM factors through three main objectives. First, it attempts to sort out the most significant VFM factors comprising the views of both public and private sectors. Second, it intends to show the contrast the views between the public and private sector officials. Finally, it tries to find out the necessary policy intervention from the findings of the study those are required for preparing lucrative PPP projects for private investors. A mixed research approach has been used for data collection of this dissertation, comprising both interviews and questionnaire surveys. Then, Statistical Package for the Social Science (SPSS) software has been used for data analysis of this study.

Findings reveals that top five VFM measures of PPP are, in downward order, government involvement in providing guarantee, realistic assessment of cost/benefit, profitability to the private sectors, government support and private management skills. The result also indicates that both public and private parties have almost identical perception in three fourth of the factors, through there are remarkable differences in few factors including government support, private sector technical innovation, competitive tendering etc. Finally, the study suggests that the best possible thing that government can do is confirming its strong political commitment to march forward with PPP in any condition and extend all sorts of co-operation to private sectors that required for execution of such projects. Government also has to develop its institutional capacity to assess the cost/benefit of offered projects in realistic way and to ensure formulation of profitable projects to private investors. Besides, private sectors also have to put more emphasis on developing their management skills in handling PPP projects, rather than focusing only on making immediate profit from PPP.

LIST OF ABBREVIATIONS	
ADB	Asian Development Bank
ADP	Annual Development Program
BOT	Build Operate Transfer
BSCE	Bangladesh Securities and Exchange Commission
DBO	Design Build Operate
EC	European Community
EBRD	European Bank for Reconstruction and Development
FY	Fiscal Year
GNI	Gross National Income
IDA	International Development Agency
IMF	International Monetary Fund
IPFF	Investment Promotion and Funding Facilities
LDC	Least Developed Country
MOF	Ministry of Finance
MOFAN	Ministry of Foreign Affairs of the Netherlands
OECD	Organisation for Economic Co-operation and Development
PFI	Private Financial Initiative
PMO	Prime Minister's Office
PND	Planning and Development
PPA	Public Procurement Act
PPIAF	Public Private Infrastructure Advisory Facilities
PPPOB	Public Private Partnership Office Bangladesh
PPR	Public Procurement Rules
PSIG	Private Sector Infrastructure Guideline
PSPGPB	Private Sector Power Generation Policy of Bangladesh
SPSS	Statistical Package for the Social Science
SPV	Special Project Vehicle
UNCTAD	United Nations Conference on Trade and Development
VFM	Value for Money
VGf	Viability Gap Financing
WB	World Bank

CHAPTER ONE : INTRODUCTION

1.1 Background of the Study

Over many years, the capabilities of the public sectors have been questioned, all around the world, for their ineffectiveness and inefficiency in offering public services. The main reason behind this dispute is not only due to the limited resources of the government offices but also for the poor quality of their services, (Pessoa, 2008). Government services are often considered as inefficient in fund distribution and poor in administration. No matter whether it is a developed economy or a developing economy, the procurement of public projects have been identified with manifold problems such as cost overrun, schedule failure, lower level of efficiency, overstaffed/understaffed organization etc. (Bresnen and Marshall, 2000). To overcome these issues, searching for more innovative procurement systems have long been pursued by governments worldwide. In this regard, Public Private Partnership (PPP) and its variations (such as Private Finance Initiative), have come forward as a more competent way to bring true value to society from public initiatives (Weisheng, Hongdi and Zhongbing, 2013).

Only over last twenty years, most countries of the world, even 134 developing economies, have adopted PPP as a policy arrangement (World Bank [WB], 2015). Because, governments of many countries hardly have sufficient fund to support their required development programs. This is more acute in case of investment in infrastructural capacity building. For instance, the developing economies presently require an additional investment of USD 1.00 to 1.50 trillion (doubling spending at each year) investment in infrastructure up to 2020, only to keep pace with present growth rate (WB, 2014). Moreover, international organizations such as World Bank (WB), International Monetary Fund (IMF) etc. are continuously pursuing developing countries to go through more market liberalization and privatization along with transforming their role from regulative to more facilitative form of governance (Jamali, 2004). Sometimes even their financial offerings to governments are subject to such conditions (Hughes, 1998). Also, the aspiration of governments to attain greater performance, from the involvement of private sectors, also plays a significant role in acceptance of PPP (Spackman, 2002).

However, despite the widespread embrace of PPP, there are lacks of appropriate systematic evaluation of such policy measurement, especially in developing economies (Jamali, 2004). As a result, a large number of such projects could not attain desired success. This is mainly due to the failure of understanding the appropriate enabling environment of PPP, rather than any inbuilt instability of such arrangement (Dewulf, Jooste and Mahalingham, 2011). Also, there is no benchmark PPP method that might be practiced internationally (Alfen et al., 2009). Hence, identifying the most significant aspects of PPP, comprising the understanding of all concerned stakeholders, is indispensable for the successful delivery of such scheme in any country.

Therefore, improving Value for Money (VFM) aspects of PPP projects could be a great choice for enhancing the effectiveness of such agreement. Because, most governments usually prefer PPP procurement over traditional public procurement, in delivery of public services, for their potentiality of earning better VFM in such contract (Quiggin, 2004; Shaoul, 2005; Grimsey and Lewis, 2007). VFM generally means providing better public services at comparatively lower price. Thus, it is most often the main rationale for purchasing large scale facilities through PPP (Siemiatycki and Farooqi, 2012). VFM is also extensively argued as one of the basic factors in deciding whether a project should be delivered through PPP or not (Edwards and Shaoul, 2003; Ismail, 2013).

However, the decision of VFM is not that straightforward. It is an optimal combination of price (i.e cost), quantity, quality and specification expected (sometimes it might be calculated) over the total lifetime of the projects (Burger and Hawkesworth, 2011). The objective of VFM is often hazy and it might be easily distorted by various drivers. Some factors may be biased towards conventional government purchase, while others for PPP procurement (Burger and Hawkesworth, 2011). Therefore, the failure of PPP projects are often caused by the interaction of multiple factors such as price, schedule, quality, administrative capacity and so on (Yuan et al., 2009). So, identification of the significance of these factors could improve the understanding of VFM aspects of PPP (so the authority could prioritize the factors for avoiding conflicts). This might accelerate the overall success of such contract in any country. Hence, this study attempts to prioritize the VFM factors of PPP arrangements in Bangladesh with a view to speed up the overall PPP growth in the country.

1.2 Problem Statement

The concept of PPP was first introduced in Bangladesh in 1996 for attracting private entrepreneurs to take part in development of power sectors through approval of Private Sector Power Generation Policy of Bangladesh (PSPGPB). In later stage, Private Sector Infrastructure Guideline (PSIG) 2004 was issued for attracting private financing in multiple sectors. A total of 40 projects with an estimated value of USD 2.93 billion were completed under these two schemes (Rashed, Alam and Fahim, 2014). Construction of two mega power plants at Meghnaghat and Haripur was the most noteworthy achievement of PSPGPB. Also, five land ports were constructed under PSIG (Hassan, 2012).

However, the size and these scope of the projects were very limited in this stages (Rashed, Alam and Fahim, 2014). Also, various industry experts did not recognize these projects as true PPP projects. Because most of the projects did not go after conventional PPP rules and regulations (Kabir, 2013). Yet, the success of these ventures was not seen in other sectors. Specially, some vital sectors (such as health, education, transportation, social infrastructures etc.) did not show any progress in this regard, though growths in these areas were extremely vital for the overall growth of the economy at that time.

However, Bangladesh, being a low-middle income country of South-East Asia, with a per capita income of USD 1,602 and annual GDP growth rate 7.23, have been aspiring to be a middle income country by 2020 (The Daily Star, 2017). This is not possible without substantial investment on infrastructural capacity building. The main reason behind the sluggish growth of the economy was insufficient investment on infrastructure (Ministry of Finance [MOF], Government of Bangladesh [GOB], 2009). Hence, for achieving the goal, the nation planned at implementing Vision 21 with a target of sustained GDP growth over 8.00. But, this required an additional investment of USD 28 billion (equivalent to approximately BDT 1.96 trillion) between 2010 to 2015, which was not possible for the government to mobilize either from the local resources or from financial assistance of international organizations (MOF, GOB, 2015).

In the above circumstances, the government stepped into the present state (third stage) of PPP by circulating a comprehensive policy guideline ‘Policy and Strategy for Public Private Partnership’ (PSPPP) 2010. There was also a sanction of BDT 25 billion in national budget in Financial Year (FY) 2009-2010, separated for PPP projects only (Kabir,

2012). But, no fund was spending from the budget allocation of FY 2009-2010 (Kabir, 2012) and same trend continued up to FY 2014-15, though the government increased the separate PPP fund allocation to BDT 30 billion from FY 2010-11 (Zahid, 2014). Recently, the government has enacted PPP Law, 2015 revoking and replacing PSPPP 2010 (Public Private Partnership Office of Bangladesh [PPPOB], 2018). Procurement Guideline for PPP Projects, 2018 and Guidelines for Unsolicited Proposals, 2018 were also issued for facilitating the growth of PPP. However, the responses of the private sectors were not in accordance to the expectation of the government.

The government also did not succeed in maintaining a sustainable project pipeline. Each year, projects included in Annual Development Programme (ADP) of one year were discarded in the next year and replaced with complete new projects (Kabir, 2013). Up to now, no projects, of mentionable size and scope, have been entirely completed under the latest PSPPP 2010 policy guidelines. At present, 47 projects are under execution in different stages (Public Private Partnership Authority [PPPA], 2018). Detail status on ongoing sector wise PPP projects are listed in **Appendix A**. Lack of diverse issues such as commercial viability, bankability, clear and competitive tendering process, technical knowledge of the government officials, attractive policy guidelines, appropriate contract formation and political alignment were reported missing in PPP arrangements of Bangladesh (Khan, 2013). Overall, the latest PPP initiative did not succeed in attracting the interest of the private investors of the country.

Therefore, it appears that either the government organizations are not offering profitable projects to private investors or the private investors are not realizing the prospects of offered PPP projects. So, in this context, if it is possible to improve the knowledge of VFM feature of the offered projects, it might help in improving the understanding of the overall prospects of current PPP scheme. Especially recognition of the significance of the various drivers/factors of VFM, along with the different perception of public and private sectors, could positively contribute in enhancement of greater visualization of present PPP scenario. The main ground behind this speculation is that, many scholars recognized VFM as one of the most vital pre-requisite before deciding whether a project should go ahead with PPP scheme or not (HM Treasury, 1997; Edwards and Shaoul, 2003; Ismail, 2013). Also, this type of research has been conducted in many countries for encouraging stronger formulation of PPP contract. On the whole, the author believes that prioritizing the VFM

drivers, covering the views of both public and private sectors, would shed light into the overall understanding of the PPP participants, and this could, in turns, speed up the pace PPP in Bangladesh.

1.3 Research Aim and Objective

This research will attempt to prioritize the drivers/factors of value for money features of PPP projects in accordance to their potential degree of influence in context of Bangladesh. It will consider PPP projects in general, irrespective of any specific sectors (such as transportation, education, health, social infrastructure etc.). The is due to the fact that PPP projects are still in very early stage of development in the country and no particular sector has shown any remarkable progress yet to considered separately. Specifically, this thesis will try to address the following questions for attaining its overall objectives:

- a. What are the possible most dominating factors of VFM measures of PPP in Bangladesh, combining the opinions of both public and private sectors?
- b. How the perception between public sectors and private sectors differ regarding VFM factors of PPP schemes in Bangladesh?
- c. What possible measures might enhance the VFM aspects of current PPP practices in Bangladesh?

1.4 Significance and Value of the Research

As stated earlier, Bangladesh adopted PPP schemes for developing of its infrastructural capabilities with an aspiration to achieve the status of Middle Income Country by 2020. But, the initiative mostly failed to attain the interest of the private sectors. So, either of the parties or the both might have failed to measure the potential of VFM aspects of PPP arrangement, as it is completely a new concept at that time. Also, researches in this area, in Bangladesh are not enough. Hence, it is expected that ranking various drivers of VFM as per their importance, combining the opinions of both public and private sectors, might increase the actual understanding of the concept in Bangladesh, which could eventually enhance the overall prospects of PPP in the country.

Another notable contribution of this thesis is that it also contrasts viewpoints of both public and private sectors with clarification from present experts and relevant literatures. Thus, it attempts to bridge the present knowledge gap between the two parties and thus present a true picture for everyone concerned regarding how to form win-win PPP

contract. In addition, the research also recommend possible measures imperative for overall enhancement of VFM aspects of PPP, on the basis of the result of the findings.

Besides, this dissertation is also very significant from the personal standpoint of the author. As the author is a member of economic cadre of Bangladesh Civil Service (BCS), His work place will be either in planning and developing wings of various ministries or different sector divisions of planning commission. Both of these places deal with various stages of selection, formulation and approval of PPP projects. Hence, he believes that the knowledge he is going to achieve from this study would ultimately enhance his contribution to the future path of PPP in his country.

1.5 Structure of the Research

In order to attain the objective of this thesis, this paper grows as follows-

- **Chapter One** includes the background of the study, statement of problems, objective of the research and outline of the whole thesis.
- **Chapter Two** covers literature reviews including the summation of definition of PPP, Justification for adopting PPP projects, critical evaluation of PPP, Value for Money (VFM) approach in PPP, research on VFM approach worldwide and similar research on VFM approach of PPP in context of Bangladesh.
- **Chapter Three** includes methodology of the research, design of research, instrument used for the survey, sample and data collection procedure, data analysis techniques and limitation of the research.
- **Chapter Four** illustrates the findings and analysis of study covering the importance of VFM factors comprising the views of public and private sectors individually and in combination (overall). The contrasts of the perception of the two sectors are also presented along with policy intervention that may assist in enriching PPP.
- **Chapter Five** presents the possible policy measures those should be taken, based on the findings of the study, for enhancing the VFM measures of PPP Bangladesh.
- **Chapter Six** sum up the research with a recap of the objectives. An illustration of the key findings along with indication for future research is also included in this chapter.

CHAPTER TWO: LITERATURE REVIEW

Relevant literature reviewed for this study is presented in this chapter into three parts. First part covers the theoretical framework including summation of definition of PPP, reasons for undertaking PPP projects, critical evaluation of PPP approaches. Second part highlights the VFM approach in PPP covering concept of VFM in PPP and pertinent research conducted worldwide. The final part discusses the relevant researches so far carried out in context of Bangladesh for enhancing VFM in PPP.

2.1 Theoretical Framework of PPP

2.1.1 A summation of definitions of PPP

At the outset of this study, it is important to discuss the different meaning of PPP, as it is not only the core issue of this dissertation but also its definition is highly context specific. More importantly, understanding various definitions might be helpful to determine what is to be believed in, evaluated, and expected through the course of the research (Humphrey, 2005). In fact, there is no single definition of PPP, which has been accepted by most practitioners and concerned institutions. Diverse global institutions and governments describe PPP in different ways, mainly as per their intention of application. Each definition focuses on specific context of the PPP arrangement, and, as a result, different scholars perceived the term in their own way (Mouraviev et al., 2016).

As an illustration, Ministry of Foreign Affairs of the Netherlands [MOFAN] (2013) describes PPP as collaboration between organizations from government and private sectors (including voluntary and knowledge institutions) which works hand in hand for attaining some common objectives, with both accepting risks and liabilities along with joint sharing of resources and experiences. On the other hand, Organisation for Economic Co-operation and Development [OECD] (2011a) observes PPP as a contract between governments and private organizations where the service delivery objective of the government is aligned with the profit earning objective of the private organizations. Hence, the former organization perceives PPP from a larger viewpoint (even counting trade unions and NGOs), while the later organization considers PPP absolutely on the basis of business earning.

Similarly, researchers, such as Grimsey and Lewis (2002) described PPP as a legally binding long term contractual relationship where the private organization render services on behalf of the public offices and generally carry out the construction of the asset as well. Others researchers like Klijn and Teisman (2003) viewed PPP arrangement as a project that demand shared responsibility both public and private sectors regarding product, cost, risks and benefits in case of project execution.

Therefore, regardless of the differences of definitions, it can be concluded from the above discussion that PPP is a long term contractual agreement between public and private organizations which is usually formed for attaining some common objectives with equal sharing of risks, resources and rewards. However, in view of the purpose of the present study PPP should be considered as per the definition given by World Bank (2014). According to the lead funding organization, PPP is a method for the government to utilize the expertise and resources of private sectors for procuring public facilities and/or services.

2.1.2 Why PPP Projects are taken?

All through PPP literature, most of the scholars, such as Quiggin (2004), Shaoul (2005) and Grimsey and Lewis (2007) etc., argued that PPP is mainly taken for achieving value for money. Value for money generally means delivering equal quality of product/services at a lower cost (compared with typical procurement methods) or a better quality of services at the same price. In case of PPP projects, VFM also includes some special features such as total life cycle cost, project implementation period, capabilities of earning additional revenues and sharing quality and cost of services (European Commission, 2003).

Moreover, in addition to earning VFM, PPP also improves accountability and sustainability of public tax money over traditional government procurement (Public Private Infrastructure Advisory Facilities [PPIAF], 2012a). Also, this scheme could guarantee the completion of a project on due time and budget. According to the report of the UK's National Audit Office [NAO] (2003) 22% of the PPP projects (in the form of PFI) missed the schedule and 24% projects ran out of initial fund allocation, which was

70% and 73% for typical government projects. Other reasons taking such projects might be as follows-

- ✓ Decreasing the demand for excessive resources from the government
- ✓ Reducing operating and capital costs of public administration
- ✓ Utilizing innovation capabilities of private sectors in delivery of public services.
- ✓ Promoting entrepreneurship and creating job opportunities at local level.

However, the nature of particular demand of a country also plays an important role for accepting PPP. For instance, UK government went through this arrangement (in the form of private financial initiative) for solving its growing demand for public infrastructures, as there shortage of resources (Grimsey and Lewis, 2004). The same reason was responsible in case of Hong Kong (Cheung, Chan and Kajewski, 2009). On the other hand, the government of Australia undertook this initiative for adding greater value to this scheme (through involvement of expertise and innovation capabilities of private investors, despite of having adequate resources to fund their own projects (Cheung, Chan and Kajewski, 2009).

2.1.3 Adoption of PPP: A Critical Evaluation

Adoption of PPP is a widely disputed issue in literature. It is usually contended that the creation of public facilities or delivery of public services (free education, health, transportation etc.) is the sole responsibility of the government. Therefore, involvement of private sectors in this regard might jeopardize the actual obligation of government to their citizens. However, at the same time, scholars also argued that providing public infrastructure/public services through government is a very recent trend, rather the government should cordially welcome private investors if they are truly innovative and efficient in delivery of public services (Harris, 2004). In addition, there are also chances of taking such projects pointlessly not due to the underlying aspects of gaining VFM, but for the easy accessibility of private resources, especially for the governments who have sufficient resources for funding their own projects (Robinson, 2000; Shaoul, 2005). Besides, apart from bearing huge start-up cost, it is also very difficult to predict whether the government will be able to repay the loan on time (as PPP is a very long term

contract). This might eventually burdened future taxpayers with additional contingent liabilities (Harris, 2004).

Despite widespread criticism, PPP has become a very popular strategy for providing public services in both developed and developing countries (Kwak, Chih and Ibbs, 2009). This is due to the fact that citizens no more want to see the government as their direct service provider; instead, they want to see the government as their service facilitator (Grimsey and Lewis, 2004). As a result, various nations like UK, Germany, Russia, Australia, South Korea, Japan, India, Bangladesh, Malaysia, Sri Lanka have adopted this scheme aiming better government services to their citizens. However, every country accepts this arrangement in accordance to their national priority. For example, South Korea adopts it for building of public hospitals, schools and public accommodations (Park, 2006), while Canada and USA used PPP for prisons, water supply and wastewater treatment etc (Vining, Boardman and Poschmann, 2005).

However, scholars are particularly divided in case of adoption of PPP by developing countries. In one side, some scholars contend that developing countries should adopt these schemes for fulfilling the extreme need of their infrastructural deficiency, whether, in another side, many scholars doubted the success of this western scheme in socio-economic and socio-political context of developing economics. For instance, Pessoa (2008) supported application of PPP in low and middle income countries as the governments of these countries most often lack the capabilities of handling large scale projects and inefficient of resource distribution. He also pointed out that the quality of public services of these countries gradually fall, as governments frequently face difficulty in adjustment with rapid changing environment due to their rigid bureaucratic system. In these contexts, the involvement of private sectors, with their better technical skills and innovative approaches in design, construction, finance, operation and maintenance could be blessings for governments of these countries (Araújo and Sutherland, 2010).

Likewise, the literature also reveals that, apart from supporting economic advancement and entrepreneurship development, PPP could also enhance the quality of the life of the deprived citizens of developing economics through creation of infrastructural facilities. A study of Asian Development Bank [ADB] (2012) on Asia, Africa and other part of the globe found that creation of infrastructure facilities have direct implication in poverty alleviation, and, thus, it could increase the quality of lives of the poor. In addition to that,

governments of third world countries often have to provide public services at a nominal cost or no cost at all. In this context, if the whole responsibility of designing, construction, maintenance, operation, and, most importantly, the financing of public infrastructure could be transferred to private investors through provision of PPP, then it could simply be seen as a 'Godsend' to the public institutions of these states (Braadbaart, 2005).

On the other hand, PPP has been heavily criticised by scholars from various perspectives. Especially Charles (2006) heavily doubted whether this arrangement could attain VFM in developing countries. He contended that the prosperous images of PPP have been promoted considering the context of the affluent countries such as USA, UK, Canada and Australia etc. those have extremely professional business groups, efficient public organizations and appropriate legal frameworks, while, in low and middle income countries, financial resource-bases are inadequate, the public institutions are fragile, regulatory frameworks are insufficient, and business sectors are mostly immature and lack professional experiences for implementing PPP projects.

In addition to that, Tiong and Qing (2007) pointed out unstable political condition of developing countries could be a major impediment for successful formation of PPP. They argued that there might be sudden change of policy guidelines, regulatory frameworks and change of law, as they are not usually guaranteed by successive governments. In the same vein, Koven and Strother (2005) opposed adoption of PPP in developing countries due to political issues like contract interference, expropriation, impractical regulatory condition and currency restrictions etc. Also, bad governance and inadequate organizational capabilities may obstacle the cooperation between the public and private sectors (Brinkerhoff, 2002).

2.2 Value for Money Approach in PPP

2.2.1 Concept of Value for Money

Achieving VFM is a vital issue for successful PPP projects. However, for better understanding of VFM, and, also, for the purpose of this dissertation, defining VFM is crucial. Various scholars and institutions explain VFM differently. For instance, Thomson et al. (2005) described VFM as the measurement of economic efficiency of any project. But the term economic efficiency is quite a vague term and often lead to misinterpretation.

Rather, a clearer definition was given by Grimsey and Lewis (2004). They define VFM as the optimum combination of quality (fit for purpose) and whole life cost of a product or services in fulfilling the satisfactions of customers.

In accordance to Kelly et al. (2004), value (in a greater aspect VFM) has mainly two phases. One is subjective phase and the other is objective phase. Objective phase is seen solely on the basis of economic perspective and could be measured through hard evidences like price or cost. While, the subjective phase is difficult to measure, as it mostly relies on the perception of individual beneficiaries. Bower (2003), however, contended that the deliverance of VFM is carried out through a sequence of decisions and significant factors/drivers those need to be completely understood before selecting an appropriate procurement method for delivery of services. He summarised these drivers in a framework titled “a value driver framework for procurement” (depicted in Figure 1).



Figure 1. Value Drivers structure for Procurement (Bower, 2003).

2.2.2 How VFM could be achieved in PPP Projects?

A PPP project is considered successful, if it provides more VFM compared to traditional public sectors projects those are procured in typical procurement methods. However, measurement of true VFM is a difficult task as it has manifold features. It is also possible that the cost factors those were not included in the PPP projects structure, still they might occur in the overall cost of the project (such as land acquisition cost), due to the long implementation period of such projects (Hanson And Skjutar, 2010). HM Treasury (2006)

identified two distinctive types of approaches in measuring VFM to PPP arrangement. The first approach examines whether the project as whole is capable of producing good VFM. And, the second approach examines whether various aspects of such projects represent VFM. This thesis will put emphasis on second approach in dealing significance of VFM drivers of PPP projects in Bangladesh.

2.2.3 Researches on VFM aspects of PPP Projects Worldwide

Previous researches on VFM of PPP projects could be categorized into two broad types: first type of studies basically focused on assessing the VFM gained through PPP contracts, and, second type of studies emphasised on examining the significance of VFM drivers of such arrangements (Ismail, 2013). Considering the context of this thesis, the literature review section will mainly focus on the second type of researches.

A conceptual model for measuring the performance of PPP projects in attaining VFM. was developed by Yuan et al. (2008) on the basis of Key Performance Indicator (KPI). The writers contended that KPIs are effective instrument for measurement and management of performance in recognising the weakness and strength of projects, which ultimately improve the effectiveness, economy and efficiency through better decision making capabilities and, thus VFM is achieved. Their research pointed out a set of indicators from five main features of projects, such as, stakeholders, process, innovation and learning financing and marketing and the physical characteristics of projects.

However, in literature, studies on enhancing VFM aspects of PPP projects have been mostly conducted on specific country contexts and a large number of studies focused on ranking the drivers of VFM. For instance, Arthur Andersen and Enterprise LSE (2000), conducted a study on Private Financial Initiative (PFI) projects (PFI is a similar form of PPP) of UK, commissioned by Treasury Taskforce, figured out six principal drivers of VFM of PFI projects including competence in private sector management, incentives, performance management, long-term nature of deal, output specification and risk sharing. In a different study, conducted by Asenova et al. (2010) on factors hindering the gaining of VFM in PFI projects revealed that there are remarkable difference between the conception of public and private organizations. According to public sector, the procurement has to be more standardised for attaining cost savings, while, private sector

investors emphasised more on commercial ethos and greater degree of expertise in handling market based solutions.

2.3 Researches on VFM aspects of PPP Projects in Bangladesh

Although a significant number of researches on PPP have been carried out worldwide, the number of recognized researches on PPP projects in Bangladesh is indeed very limited. This figure is almost nil in case of particular VFM aspects of PPP projects. This is probably due to the reason that PPP is almost a very recent phenomenon in Bangladesh. Most of the available researches regarding PPP projects in Bangladesh is basically based on the problems or challenges of PPP implementation in the country, where PPP has been considered in general context such as Rashed, Alam and Fahim (2014), Chowdhury, Chy and Yasmin (2014), Hassan (2012), Riley and Wescott (2012) etc. Research in any particular sectors such as road, construction, telecommunication etc has been mostly ignored by the researches. Again, the main reason is that the practice of PPP has not yet reached that matured level in Bangladesh. In reality, research in any specific field is fairly complicated in PPP context of Bangladesh, as most of the previous PPP initiatives before the present stage were mainly limited within power and land port sectors with very small scale and size as well (Rashed, Alam and Fahim, 2014).

Only Islam (2012) conducted a research which included ranking of VFM aspects of PPP projects in Bangladesh. He identified seventeen factors of VFM and ranked them according to the views of both public and private sectors. Top five factors of the study of Islam (2012) were output based specification; efficient risks allocation, competitive tendering, optimal use of asset and project efficiency and private management skills. However, Islam (2012) did not take any complete set of industry recognised VFM factors. Instead, he picked up VFM factors randomly from various previous researches in this arena. The research was carried out five years back when the PPP initiative of Bangladesh was very immature. It also didn't contrast the views of the both public, and most importantly, the research was carried out exclusively for PPP projects of infrastructure sectors only, not for PPP projects in general.

Other major studies on PPP in Bangladesh are not that directly related with the ranking VFM factors. One such notable research was conducted by Bhuyan (2010) where he

pointed out seven most critical factors essential for successful implementation of PPP including appropriate legal framework, fair and transparent tendering process, rational sharing of gain/loss, establishment of a dedicated cell under control of ministry of finance and financial assistance from the government etc. However, these factors were recommended immediate after the circular of PSPPP2010, when the PPP scheme of the nation had just started. Also, this paper lacks evidence based perception of both sectors experts in this arena. Rather, it was based on the personal viewpoint of the scholar.

In fine, no comprehensive study has been yet conducted on ranking the significance of VFM factors of ongoing projects under PPP arrangement in the country, comprising the views of both public and private sectors, to the best of the knowledge of the authors of this paper. Hence, this research attempts to rank the significance of VFM aspects of ongoing PPP projects of Bangladesh comprising the perception of both public and private sector organizations. Also, this paper intends to identify the difference of viewpoints of these two parties. Finally, this paper will end up with recommending necessary policy strategies required for attaining VFM in PPP projects of Bangladesh for better envisioning the key issues of PPP of this country.

CHAPTER THREE: RESEARCH METHODOLOGY

This Chapter illustrates the through research procedure undertaken for achieving the objectives of the study including methodology of the research, design of research, instrument used for the survey, sample and data collection procedure, data analysis techniques and limitation of the research.

3.1 Design of the Research

The research uses mixed method, as it appears most appropriate for the purpose of the study. First the research conducts a questionnaire survey, which is followed by interviews. The qualitative method will clarify and confirm the quantitative outcome. Although the various scholars have contended that these two methods have different philosophical assumption, other scholars such as Greene (2008), Firestone (1992) argued in favour of mixed methods. They believed that mixed methods the capabilities to be develop (exchange of knowledge between the two approach), expand (provide greater through expansion of the scope of the study) and compliment (weakness of one approach is balanced by strength of other).

The questionnaire survey is used for ranking the drivers of VFM features of PPP projects in accordance to their influence on social, economic and political condition of Bangladesh. Later, the findings of the questionnaire survey will be clarified by the interviews. Interviews will be mostly structured in nature. However, interviews regarding policy recommendation for enhancing VFM in PPP will be semi-structured.

Both primary and secondary data were be collected. Primary data is collected from relevant public and private sector organizations through questionnaire surveys and interviews. The targeted public sector organizations are basically various planning and development cells of different ministries (as they are primarily responsible for preparation of initial PPP projects of the concerned ministry), various sector divisions of the planning commission, PPP office operated under the Prime Minister's Office (PMO), PPP cell of Ministry of Finance and Investment Promotion and Financing Facility (IPFF) project cell of Bangladesh Bank (central bank). On the other hand, various private sector organizations

(especially involved with ongoing PPP project implementation procedure or relevant sector of awaiting PPP projects) and officials of different private commercial banks (those are aware of PPP financing procedure) and academics from public and private universities (those are involved with PPP related research and training).

3.2 Instrument of the Research

The proposed research assumes approximately 20 factors (Table 1). Most of these factors (16 factors out of 20) were basically developed by Cheung (2009). In fact, Cheung (2009) developed total 20 factors for ranking the VFM measures of PPP projects in Hong kong. Later, Cheung et al. (2009) also used the same 20 factors for investigating and comparing the VFM drivers of Hong Kong with those of Australia and United Kingdom. These factors were also used by Ismail (2013) for looking into the VFM drivers of PPP in Malaysia.

Although it is possible to develop a different set of drivers for this study, the benefit of adopting the same drivers of previous studies is that they are widely accepted by the academic world and published in recognized journals. Also, there is no good reason to ‘reinventing the wheel’. More importantly, it will be feasible for future researchers to evaluate the drivers of Bangladesh with those of other countries. However, the author discussed with three PPP experts of Bangladesh (two from public sector and one from private sector) about the relevance of these factors in context of Bangladesh. In accordance to their suggestion four factors have been discarded due to their comparative weak linkage with the PPP scenario of the country. Instead, as per their suggestion, four new factors have been included for their comparative high relevance to exclusive PPP environment of Bangladesh. At last, the final questionnaire includes 20 (twenty) VFM factors (**Appendix B**).

Table 1: List of Drivers of Value for Money

No.	Factors of VFM developed by Cheung	Factors of VFM taken for this study
1.	Competitive tender	Competitive tender
2.	Performance-based payment mechanism	Performance-based payment mechanism
3.	Government support	Government support
4.	Nature of financial innovation	Nature of financial innovation

5.	Profitability to the private sector	Profitability to the private sector
6.	Private sector technical innovation	Private sector technical innovation
7.	Output based specification	Output based specification
8.	Reduction in disputes and litigation	Reduction in disputes and litigation
9.	Environmental consideration	Environmental consideration
10.	Long-term nature of contracts	Long-term nature of contracts
11.	Bidding cost	Bidding cost
12.	Optimal use of asset/facility and project efficiency	Optimal use of asset/facility and project efficiency
13.	Low project life cycle cost	Low project life cycle cost
14.	Early project service delivery	Early project service delivery
15.	Private management skill	Private management skill
16.	Efficiency in risk allocation (allocating the risk to the party best able to manage)	Efficiency in risk allocation (allocating the risk to the party best able to manage)
Discarded Factors from Cheung's Study		Added Factors of the Study
17.	Off the public sector balance sheet	Realistic assessment of cost/benefit
18.	Risk transfer (transferring a substantial amount of risk to the private sector)	Type of contractual modality
19.	Improved facilities to the public sector	Strong private consortium
20.	Commissioning programme	Government involvement in providing guarantee

Source: Ismail (2013)

3.3 Sample and Data Collection Procedure

Sample and data collection procedure were given utmost importance from the beginning of the research as it was obvious that it would be difficult to find out the proper PPP trained officials in Bangladesh. It was known that Bangladesh Bank (central bank) in support of PPP unit of Finance division previously conducted an extensive training on PPP through a World Bank supported project titled 'Invest Promotion and Finance Facilities (IPFF)' (MOF, GOB, 2015). So, both of these two organizations were communicated in this regard and officials from organization supported cordially in this effort. They provided name and contact details of the officials participated in PPP training previously. The cell phone numbers of the potential respondents were collected for further pursuance in case of very limited response rate. Also, email numbers were collected for using internet mediated data collection methods like e-mail. Although internet mediated data collection mediated data collection procedure has been questioned in recent time, still considering the convenience and limitation of resources and time, this is quite a common practice in research now-a-days (Saunders, Lweis and Thornhill, 2012).

A total of 60 (sixty) questionnaires were sent by hand or e-mail between 3rd to 10th January 2018 with a humble request to send back (filled up questionnaire) within 20th January, 2018. 30 questionnaires for public sector officials and 30 questionnaires for private sector officials. The potential respondents were requested to rank their degree of agreement for each VFM factors in a Likter scale ranging from 1(least significant) to 5 (most significant). Most of the target officials were also communicated over cell phone to return the feedback within time. Finally, 39 filled up questionnaire were received within 20th January 2018, of which 34 questionnaire were used for the data analysis. Three questionnaires were not usable, as they were not filled up correctly. Overall, the response rate of the study was 56.66%. Considering the response rate of other similar study, such as, 48.8% response rate of Ismail (2013) study in Malaysia, this rate seems acceptable. Especially considering the limited time, scope and resources of this research.

Out of 34 respondents, 16 officials expressed their interest for being interviewed. Total 12 interviewees were taken. All 12 officials were interviewed from 12 different organizations. Two officials were not considered, as their senior officials from the same organization expressed their interest too (Finance Division, Ministry of Finance and Bangladesh Bank). Other two officials were not considered due to their lack of knowledge in handling real life PPP projects. The interview sessions were conducted between last week of February to First week of January 2018, based on a semi-structured questionnaire (**Appendix C**). Their consents for writing the name of their organizations were taken as well. They were mainly requested to clarify their ideas regarding VFM factors they ranked and what further recommendations they have in enhancing VFM measures of PPP in Bangladesh.

3.4 Data Analysis Procedure

The data analysis of the study was performed by using Statistical Package for the Social Science (SPSS). Descriptive statistics of mean score of every VFM factors were computed for the purpose of ranking of all 20 factors. The ranking includes the views of both public and private sectors individually and also the overall ranking in combination of the views of the two sectors. In fine, the findings of the data gathered through questionnaire survey were ‘qualitised’ for clarifying in light of the qualitative information (Tashakkori and Teddlie, 1998)

3.5 Limitation and Challenges of the Dissertation

The most notable weakness of this proposed research, at this stage, appears that applying the VFM drivers of others country may not be appropriate in case of Bangladesh. Since, numerous scholars, such as (Galilea and Medda, 2010) contended that each country adopt her PPP approach considering her own administrative culture in preparation and overseeing public works, direction of political leadership and institutional and legal frameworks. These factors are supposed to vary country to country. Moreover, a simple questionnaire survey is not enough to recognize the overall significance of VFM drivers of a country, as features of PPP of one sector may extensively differ from those of other sectors. In addition to that the deficiency of available literature on VFM drivers of Bangladesh (as the programme kicked off very lately) might also squeeze the scope of the dissertation,

Likewise, collecting primary data through a questionnaire survey and interviews might be one of the main challenges of this study. It could be more difficult for private sectors enterprises, as there are only few companies presently involved with or aware of this scheme. Also, as a government official (the author of this study) might be difficult. However, continuous persuasion over telephone/e-mail and regular communication will be maintained with the relevant personnel from both public and private organizations.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

This chapter combines findings and discussion of the study into three parts. First part describes the demographic features of the respondents took part in this research. Second part illustrates the overall ranking of VFM factors combining the views of public and private sectors including their separate views. Last part shows the contrast between the views of the two parties.

4.1 Demographic Information

A total of 60 (sixty) questionnaires were sent to both public and private sector officials (30 questionnaire to private sector officials and 30 questionnaire to public sector officials). Public sector officials returned 19 (57%) questionnaires, while private sector officials returned 14 questionnaires (46%) (**Table 2**). Out of the total 34 respondents, the participation rate of public sector respondents was 57% and that of private sector was 42%. So, clearly rate of public sector officials is comparatively higher than that of public sector officials. Officials from 13 public sectors organizations took part in this study and number of private sector organizations was 11.

Characteristics of the respondents indicate that private sector officials are comparatively less interested in the study. The probable reason for their less interest in PPP projects might be due to their less experience in such sorts of projects. Also, this type of projects is in very early stage of development and the role and responsibility of private sectors are not yet cleared (usually public sector take the lead in PPP initiatives). Nevertheless, higher response rates from public sector officials were expected as government officials were well informed about PPP projects through various government circulars and PPP projects and also government officials are primarily responsible for preparation of such projects.

Table 3 shows that most of the respondents of private sector organizations were from construction companies, facilities management companies, financiers, academic institutions. On the other hand, most of the respondents from public sector organizations were from government ministries, followed by government agencies and central bank of Bangladesh.

Table 2: Organizations Took Part in Study

SL NO	Name of the Public Organizations	No. of Respondents	Name of the Private Organizations	Number of Respondents
1.	Finance Division, Ministry of Finance	2	Sarker Steel Limited	2
2.	Ministry of Road Transport and Highways	1	Amin Mohammad Group	1
3.	Bangladesh Bank	2	Orion Group	1
4.	Board of Investment	1	AB Bank Limited	1
5.	Ministry of Power Energy and Mineral Resources	2	National Bank Limited	1
6.	Ministry of Civil Aviation and Tourism	1	East West University	1
7.	Directorate General of Family Welfare	1	Dhaka University	1
8.	Bangladesh Water Development Board	1	Bangladesh Institute of Bank Management	1
9.	Public Works Department	2	IDLC Finance Limited	1
10.	Local Government Engineering Department	2	Bashati Consortium Limited	1
11.	Economic Relations Division, Ministry of Finance	1	Dhaka University	1
12.	Local Government Division	2	Sthapati Associate Limited	2
13.	Public Private Partnership Office	2		
TOTAL		19		14

Source: Summarised by the author

Table 3: Concerned Offices of Respondents of the Study

Sector	Type of Organization	Frequency	Percentage	Total	
				Frequency	Percentage
Public Sector	Ministries of the Government	10	53%	19	57%
	Government Agencies	7	37%		
	Central Bank	2	10%		
Private Sector	Financers	3	21%	14	43%
	Construction Companies	5	36%		
	Facilities management	3	21%		
	Academic Institutions	3	21%		

Source: Summarised by the author

Table 4 depicts the characteristics of respondents of the study considering their years of experiences along with the number of PPP projects they dealt with. It is clear from the table that most of the respondents (48%) have experiences of dealing with PPP projects around 3 years or below and only 13% respondents have 10 years or above experiences. Although the number of experienced professional is very low, their opinion has to be considered on the basis of the fact that PPP is comparatively a new concept in Bangladesh.

Likewise, a major portion of the respondents have experiences of dealing with only one PPP projects. It's also very surprising that 12% of respondents have no direct experiences on PPP projects. However, this might be ignored counting on the present PPP context of Bangladesh, as number of PPP projects (including both ongoing projects and projects in preparatory stages) in very limited as well.

Table 4: Characteristics of the respondents of the study

Characteristics of Respondents	Frequency	Percentage
Years of Experience		
10 years or above	4	13%
7-9 years	5	14%
4-6 years	8	25%
3 years or below	16	48%
Total	34	
Number of PPP projects involve with		
3 or more	5	14%
2	7	21%
1	18	53%
None	4	12%
Total	34	

Source: Summarized by the author

4.2 Overall Ranking for VFM factors of PPP Projects in Bangladesh

Table 5 shows the comparative significance of VFM factors of PPP projects in Bangladesh considering the mean scores. It also presents the contradiction between the perception of the public sectors and private sector respondents. In accordance to the overall ranking of both sectors, the top five VFM factors have been selected as (in descending order): government involvement in providing guarantee, realistic assessment of cost/benefit, profitability to the private sectors, government support and private management skill. On the other hand, the most three least significant VFM factors have been identified as (in ascending order): environmental consideration, type of contractual modality (BOOT, BOT etc.) and low project life cycle cost.

Table 5: Ranking of VFM measures of PPP projects

Name of Value for Money Factors	Public Sector			Private Sector			Overall		
	Mean	Rank	SD	Mean	Rank	SD	Mean	Rank	SD
Government Involvement in Providing Guarantee	4.47	4	.512	4.92	1	.267	4.66	1	.478
Realistic Assessment of Cost/Benefit	4.68	1	.477	4.50	4	.759	4.60	2	.609
Profitability to the Private Sector	4.36	6	.683	4.78	2	.578	4.54	3	.665
Government Support	4.31	9	.582	4.64	3	.633	4.45	4	.616
Private Management Skill	4.52	2	.772	4.21	6	.801	4.39	5	.788
Competitive Tender	4.31	10	.582	4.42	5	.646	4.36	6	.603
Performance Based Payment Mechanism	4.36	7	.683	4.14	8	.662	4.27	7	.674
Efficiency in Risk Allocation	4.26	11	.871	4.21	7	.801	4.24	8	.830
Private Sector Technical Innovation	4.47	5	.696	3.78	17	.801	4.18	9	.808
Bidding Cost	4.31	8	.749	4.00	11	.577	4.18	10	.692
Nature of Financial Innovation	4.21	12	.854	4.00	12	.784	4.12	11	.819
Optimal Use of Asset/facility and project efficiency	4.50	3	.848	4.14	9	.770	4.09	12	.804
Early Project Service Delivery	4.15	13	.764	4.00	13	.679	4.09	13	.723
Strong Private Consortium	4.05	14	.911	3.85	14	.662	3.96	14	.809
Long-term Nature of Contract	3.84	17	.602	4.07	10	.730	3.93	15	.658
Reduction in Dispute and Litigation	3.94	16	.779	3.85	15	.662	3.90	16	.879
Output Based Specification	4.05	15	.779	3.64	18	.633	3.87	17	.739
Low Project Life Cycle Cost	3.78	19	.854	3.85	16	.770	3.81	18	.808
Type of Contractual Modality (BOOT, BOT etc.)	3.84	18	.764	3.57	19	1.016	3.72	19	.875
Environmental Consideration	3.68	20	.945	3.57	20	.937	3.63	20	.929

Source: Summarised by the Author

Government involvement in providing guarantee has been identified as the most significant factor for attaining VFM in PPP arrangement of Bangladesh. This is also a unique feature of this research finding, as this factor was not recognised by other researches in previous countries. In previous studies of other countries, this factor was actually embedded in the factor ‘government support’. In this study, private sector respondents have ranked this factor as the number one factor while public sector respondents ranked as number four. This finding clearly indicates that there is lack of firm commitment from government for ensuring VFM in successful implementation of PPP schemes.

Most of the interviewee also mentioned that without proper assurance from the government, the private investors will not step forward into PPP. They believe that there

are lack of confidence between the public sector organizations and private investors. One of the interviewee from the Planning Commission said that, in Bangladesh, it is common that projects taken in Annual Development Programme (ADP) under one government are cancelled by next government without any justification. He said that absence of political ownership of development initiatives is a major obstacle for achieving VFM in PPP. Another interviewee from Ministry of Finance also opined that, in many cases, contracts are changed or new contracts are signed with different contractors with the change of government or even change of ministers. He further mentioned that presently PPP office is under Prime Minister's Office, which is often subject to strong political influence. Hence, he proposed to take PPP office under Ministry of Finance for avoiding frequent political pressure.

Likewise, most interviewee from private sectors also confirmed that government assurance is the most important element for ensuring VFM in PPP formation in the country. One of the interviewee from Federation of Bangladesh Chamber of Commerce and Industries (FBCCI) contended that private sector investor will always remain reluctant to take part in PPP if they are not confirmed about the continuation of the government. He said this is of paramount important in case of PPP, as the contracts are very long term in nature (usually 25-30 years) and any change in government or even change in policy might directly affect the profitability of the private investors. Another interviewee from private sector (commercial bank) contended that many public organizations are hesitant to whole heartedly accept PPP. He referred that their (public organizations) anxiety of losing their dominance on such large scale projects for duration of such a long time, as key players of PPP projects are the private institutions. Finally, he put special importance on handing over the project site to private company immediately after the signing of contracts along with other necessary coordination between public agencies.

In most Asian countries, (with few exceptional advanced economies like Singapore, Japan and South Korea) bureaucratic, legal and political risks are considered having the highest negative impact on PPP growth. This is often followed by breach of contract, political violence and expropriation (Sachs, Tiong and Wang, 2007). The result of same study, basically conducted in 14 Asian countries including Bangladesh, shows that PPP opportunities become less with increasing political risks and thus the overall expenditure of PPP projects boost up. It was also found in the same study that currency inconvertibility

and transfer restrictions are recognized as the strongest influential negative impact factor for hindering the possible advancement of PPP in the country.

Realistic assessment of cost/benefit VFM factor has been pointed out as the second most overall important factor. Public sector respondents rated this factor as the most important factor (ranked number one), while private sector respondents rated this factor as the fourth most important VFM factors. Hence from the ranking of both parties it is obvious that assessment of cost/benefit of PPP projects is not up to the mark in context of Bangladesh. This is really a fascinating that public sector respondents ranked it as the most important factor, though it is the public sector organizations that are primarily responsible for conducting the cost/benefit assessment of PPP projects in Bangladesh.

One interviewee from the PPP office under Prime Minister's office explained that projects sent from line ministries do not include proper cost/benefit assessment report. He mentioned that lack of skilled human resources is the main reason for this issue. An interviewee from line ministry (Ministry of Health and Family Planning) also confirmed that deficiency of proper feasibility study is a major causes for failure of attracting private investors into PPP. He mentioned that PPP projects are prepared by the regular officials of line ministries or public agencies in addition to their routine duties. As a result, they have both shortage of time and deficiency in proper assessment of cost/benefit assessment. Besides, he also mentioned that until very recent time, there was no provision for fund allocation in preparation of project documents.

In addition, an interviewee from a line ministry (Ministry of Road Transport and Highways) mentioned that cost/benefit assessment of PPP projects are conducted by neutral third party firms in many countries (he referred China). This assessment is also followed by further assessment of commercial banks. But such practice is absent in most PPP projects of Bangladesh at preparatory level. Another respondents from a private construction firm opined that most cases private sector representatives are not included at the project preparatory stage. In accordance to him, the cost/benefit assessment mainly carried out by the government officials are hypothetical rather than based on empirical evidences.

The third significant VFM factor has been recognised as **profitability to the private sectors**. Private sector respondents ranked it as the second most important factors whereas public sector professionals have ranked it as the sixth important factors. So, private sector officials are also very much concerned about the profitability of the private sectors. This concurs with the statement of one of the private sectors (FBCCI member) those private sectors of Bangladesh emphasis too much on earning ability of their business rather than taking initiative for their capacity development. Development of technical innovation, early project service delivery, necessity of forming strong private consortium is much less priority here. In reality, we also observe that private sector technical innovation has been ranked in 17th position, early project service delivery is in 13th position and strong private consortium is in 14th position, though these factors are very much essential for performance of private sector organizations. Hence, it seems that this factor has been over rated by the private sectors respondents.

Another interviewee from a line ministry (Local Government Division) confirmed that profitability is the prime concern of private investors in Bangladesh. He said, although it is very natural for private investors to be concerned about their investment, still it is a sign of immaturity in case of determining the VFM aspects of PPP projects. He contended that in case of PPP experienced country usually the concern of private sector organizations are basically emphasis on allocation of risks between the two parties, private sector technical innovation and facility and project efficiency etc. He even considered over emphasis on profitability as a hindrance for realizing the true merits of VFM aspects of PPP. Because much concern of profitability usually hold back the eyes from assessing the value of other important VFM factors such as risk allocation, financial and technical innovation etc.

However, necessity of ensuring sufficient profit margin for private investors cannot be overlooked. Making profit from investment is the basic right of investors. One interviewee from planning commission supported this and further stated that government must have to be flexible in PPP contracts. As the project scenario might drastically change in any moments (either during the project execution or after completion of projects) due to involvement of numerous stakeholders, public agencies have to be flexible in case of management of PPP contracts. Terms and condition of PPP contract might need to change frequently over time for ensuring gains of both sectors. So, the potentiality of business for

private investors through PPP arrangement must be a major concern for the planners of such projects. Otherwise, all initiatives might go in vain.

Government support has been seen as the forth most important VFM factors. However there is notable difference between the views of public and private organizations regarding this feature of PPP scheme. Private sector officials believes that government support is crucial for successful implementation of PPP (thus ranked in 3rd position), while public sector officials thought that government support is not that much important factors for PPP. In fact, this contrast of perception is quite expected due to the underlying variation of characteristics and expectation of these two parties.

The factors government support covers a lot of issues and the idea is not that clear. Still, this factor is very much important for enriching value in PPP projects, especially for a country like Bangladesh where PPP has just started its journey. It is of course the government who has to first set the proper rules and regulation required for successful implementation of PPP. In fact, without a transparent legal framework and strong dispute resolution system PPP projects could not be stable and bankable (Cheung, Chan, and Kajewski, 2012). Rules and regulations could make sure private investors that their interest would get shelter from arbitration of commercial disputes, legitimate cost recovery, expropriation and proportional revenue earning from risks accepted (Jamali, 2004).

In clarification of the idea of government support, one interviewee from a private construction company opined that PPP projects are most often very large in scale and there is every possibility of not completing the projects on time. He said that most of the proposed/ongoing PPP projects in Bangladesh are mainly construction in nature. In most cases, they require land acquisition, resettlement activities etc. All these issues are unpopular political decision. Also, PPP projects are sometimes connected with other link projects (such as link roads connected with construction of bridge). Overall, there are always high risks for private investors to fail in completing the project on time, which is directly linked with their profit margin. Hence, he concluded that support from government in every stage of PPP projects implementation is a vital VFM factor of PPP arrangement in Bangladesh. Likewise, interviewee from the Central Bank of Bangladesh said that support from capital market is crucial for progress of PPP, which is not yet

visible in Bangladesh. He also opined that engagement of regional development banks or multilateral development organizations could substantially enhance the quality of such projects in the country.

Private management skills has been placed in the fifth position. Private sector officials gave it second priority while public sector officials placed it in sixth position. Private management skills are fact the heart of such projects management. Because, in PPP, it is the private sector who take the responsibility of design, construction, operation, maintenance and most importantly financing of the projects. Primary aim of the government is mostly shifting the infrastructure cost to private investors (thus cutting public expenditure) and reduce public sector borrowing limits (Bing et al. ,2005). Hence, private management skill is of paramount important in case of ensuring VFM in PPP procurement.

One respondents from a government university contended that the incumbent government has took various realistic initiatives including keeping additional BDT 250-300 billion taka for consecutive three years exclusively for PPP projects. But private sector investors did not show any interest. He surmised that this is probably due to their lack of confidence or management skills to handle such sort of projects. He particularly mentioned that, in PPP, fund raising of such projects are usually carried out by consortium of private companies. Private organization of Bangladesh lacks this sort of co-ordination capabilities due to shortage of management skills.

Likewise a respondents from private company admitted that there are lack of management skills in private sectors regarding PPP projects. However, he further added that deficiency in management skill is not the only thing responsible for under rated PPP projects. Rather, he added, there are issues in formulation of such projects. He said that PPP projects are mostly prepared by public sector organizations, where the views of the private investors are ignored in most cases. He also said that public sector officials are often reluctant to relinquish their authority for such large scale projects for such long period of time. Another respondents from a private organization added that there are difference between the laws and regulation of public and private sectors procurement in Bangladesh. Because public sectors procurement is carried out by established Public Procurement Acts 2006/

Public Procurements Rules 2008, whereas private sectors authorities are interested to conduct procurement in their own ways.

On the other hand, top five least significant factors were rated as environmental consideration, type of contractual modality, lower project life cycle cost, output based specification and reduction in dispute and litigation. In fact, these factors were ranked at lower tier in similar type of research conducted in other country context (Ismail 2013; Cheung 2009; Li 2003). However, it must not be assumed that these factors are not important for enhancing value in PPP projects of Bangladesh. Because means of all of these factors range from 3.63 and above. As the respondents were asked to rank in a Likter scale between 1 to 5 (1 denote least significant and 5 denotes most significant), any value over 3.00 clearly recognizes that value of that factors.

Overall, the result of the study illustrates that the VFM measures of PPP projects in Bangladesh is unique and largely different from those of other countries. If we go through the study of Cheung (2009), it is found that the top five VFM factors of Hongkong were efficient risks allocation, output based specification and competitive tendering, private management skill and private sector technical innovation. None of these factors are common among the top five VFM factors of Bangladesh except private management skills, which was ranked 5th by the respondents of Bangladesh. In the same study of Cheung (2009), Australia's top five efficient risks allocation, output based specification, long-term nature of the contract VFM factors were optimal use of asset/facility and project efficiency, efficiency in risks allocation, private sector technical innovation, private management skill and output based specification. Again, except private management skill, none of the four VFM factors are among tops such factors in Bangladesh.

In another study of Li (2003), conducted in United Kingdom, top five VFM measures were observed as efficient risks allocation, output based specification, long-term nature of the contract, early project service delivery and risks transfer. None of these factors are found among the top five factors of Bangladesh. This contrast is well anticipated because the context of PPP of United Kingdom is completely different from that of Bangladesh. In UK, PPP has started its journey in 1960s and 1970s in the form of Public Finance Initiative (PFI). On the other hand, PPP has just started in Bangladesh only in very recent time (after 2010). Hence, preference of VFM measures of PPP in Bangladesh is supposed to be different from those of other countries where PPP is well established.

4.3 Contrast in views of Private and Public Sector on VFM of PPP

In accordance to the illustration of Table 6, Public sector officials prioritize top five VFM factors of PPP projects as realistic assessment of cost/benefit, private management skill, optimal use of asset/facility and project efficiency, government involvement in providing guarantee, private sector technical innovation. On the other hand, private sector respondents identified five most significant VFM factors as government involvement in providing guarantee, profitability to the private sector, government support, realistic assessment of cost/benefit, competitive tender.

Table 6: Contrast of Public and Private Sector Respondents on VFM of PPP

SL No.	Name of Value for Money Factors	Ranking Public Sectors	Ranking of Private Sectors	Overall Ranking
1	Government Involvement in Providing Guarantee	4	1	1
2	Realistic Assessment of Cost/ Benefit	1	4	2
3	Profitability to the Private Sector	6	2	3
4	Government Support	9	3	4
5	Private Management Skill	2	6	5
6	Competitive Tender	10	5	6
7	Performance Based Payment Mechanism	7	8	7
8	Efficiency in Risk Allocation	11	7	8
9	Private Sector Technical Innovation	5	17	9
10	Bidding Cost	8	11	10
11	Nature of Financial Innovation	12	12	11
12	Optimal Use of Asset/ project efficiency	3	9	12
13	Early Project Service Delivery	13	13	13
14	Strong Private Consortium	14	14	14
15	Long-term Nature of Contract	17	10	15
16	Reduction in Dispute and Litigation	16	15	16
17	Output Based Specification	15	18	17
18	Low Project Life Cycle Cost	19	16	18
19	Type of Contractual Modality (BOOT, BOT etc.)	18	19	19
20	Environmental Consideration	20	20	20

Source: Summarised by the Author

The results of the study clearly indicate that judgement of both private and public sector officials are almost similar perception regarding the VFM factors of PPP. Top five overall factors have been ranked among the top six factors separately. The only exception is government support. This factor has been ranked in the 9th position by public sector while private sector ranked it in the 3rd position. In fact, this contrast is quite expected. Because public sectors usually believe that government is providing sufficient support for PPP advancement, while private investors most of the time opined that there is lack of

government support. Considering the findings of similar studies, for instance, research of **Ismail (2013)** in context of Malaysia, same result is found. In case of Malaysia, government sectors ranked government support in position 16, but, the private sector respondents put this factor in 7th position. In fact, this contradiction of perception between public and private sectors regarding government sector is not out of expectation and the interviewees also admitted this contradiction, as discussed in previous section.

Also, similar priorities were given by both public and private sectors in case of next five factors. Here, the overall ranked VFM factors between 5th to 10th positions were among the top 11th VFM factors rated by each sector separately. The only exception is private sector technical innovation, rated 17th by the private sector organizations. Both public sector and private sector representatives put almost equal emphasis on the significance of three factors, namely, performance based payment mechanism, efficiency in risks allocation and bidding cost. This evaluation has been remarked as positive for the PPP growth of country by one of the interviewee from central bank. He said that all these factors are very much related with actual implementation of PPP, so similar perception of both parties in such VFM factors might accelerate the overall pace of project implementation. However, he also mentioned that major difference between the perception of two parties in ranking other two factors (competitive tender and private sector technical innovation) might be an indication of ambiguity during the preparatory stage of such projects.

Private sector technical innovation and optimal use of asset/facility and project efficiency are two factors where significant difference is found. These two factors have been ranked among the top five factors by public sector respondents while private sector ranked private sector technical innovation is 17th position and optimal use of asset/facility and project efficiency is in 9th position. Such attitudes of private sectors towards these very important factors confers with the remark of one interviewee of a private university professors that private sectors of Bangladesh has not yet completely realize the their role in PPP practice.

Ranking of other countries, for example, in Malaysia, private sector technical innovation was ranked as the overall most important factor for the VFM measures in PPP (Ismail 2013). Likewise, this factor was ranked as the 3rd most significant factor in Australia and 5th in Hongkong Cheung (2009). Similarly, optimal use of asset/facility and project

efficiency has been ranked as the most important factor in Australia. Hence, considering the ranking of these two factors, it seems that VFM perception for PPP projects in Bangladesh is significantly different from those of other countries, especially in case of private sector thinking.

Surprisingly, both parties put equal importance on four factors in measuring VFM of PPP: nature of financial innovation, early project service delivery, strong private consortium and environmental consideration. Also, there are negligible differences seen between the two parties in the ranking of other three factors: reduction in dispute and litigation, performance based payment mechanism and type of contractual modalities. One of the interviewee from the line ministries refereed that this might be due to the fact that most of the respondents from both parties are very new in PPP (almost no experiences of completing a PPP projects successfully). Finally, he concluded that probably they (public and private sector officials) are not yet sure about their stake in such advance stage VFM factors.

Overall, perceptions of public and private sectors are almost similar in case of three fourth VFM factors considered in this study. Major contrast is found mainly in five factors, such as private sector technical innovation, optimal use of asset/facility and project efficiency, competitive tender, private sector technical innovation and government support. As there is consensus between the two parties in most VFM factors, it could be concluded that the level of understanding of both parties is yet at the same level in Bangladesh. Hence, small change in policy intervention might bring forth accelerated growth of PPP in Bangladesh.

CHAPTER FIVE: RECOMMENDATION

This chapter points out those areas where particular measures should be taken for enhancing VFM in PPP projects of Bangladesh, on the basis of findings and discussion covered in earlier sections of this paper. The result of the study suggests that strong commitment from the government, practical assessment of cost/benefit, profitability of the private sectors, government support, improving private management skills and bridging the gap between the views of public and private sectors are the major areas where immediate actions are needed for ensuring greater valued PPP projects in Bangladesh.

5.1 Strong Government Commitment and Political Ownership

At this moment, government involvement in providing guarantee appears to be the most significant factor for enriching value in PPP projects of Bangladesh. In fact, the private investors always want confirmation from the government that their investment under PPP scheme would be well protected by legal and regularity obligation, mainly because of the long term nature of contracts of such projects (Farquharson, Mastle, Yescombe, 2011). Hence, the government has to clearly define PPP, the scope of such projects, the legal and regularity bindings of PPP contracts and the enforcement mechanism as well. Government has to let private investors carry out their responsibilities without any interim intervention. And, more importantly, government has to hand over the project site immediate after the signing of contract along with facilitating necessary coordination among other public agencies.

Also, the government has to determine the roles and responsibilities of concerned organizations in formulation/execution of PPP projects, compensation package, provision of cost recovery, dispute resolution system, fixation and adjustment system of tariffs and investor's percentage, on the basis of solid legal ground (Chowdhury, Chy and Yasmin, 2011). Presently, PPP office of the country is under Prime Minister's Office, which is quite vulnerable to political influences. In this regard, this office might be taken under the guidance of Ministry of Finance.

5.2 Professional Approach in Assessment of Cost/benefit

In order to ensure realistic assessment of cost/benefit of PPP projects, government has no other way but to increase its capacity of human resources in planning and development wings of ministries/public agencies. At present, in many important public organizations do not have any planning and development department. And, most of the development projects at ministry level are handled by planning cells, where the number of officials are not sufficient in number. Especially, economic cadre officials who are basically experts for preparing projects have huge work load with minimum logistic supports and nominal supporting hands. In this regard, a completely functional planning and development wing, headed by divisional chief/joint chief, should be established at every ministry/divisional level, so that genuine professional might deal with PPP projects. At the same time, proper training in home and abroad and sufficient logistic support should be ensured in planning and developing wing officials.

Other important measures could be involvement of neutral third party organization in assessing the cost/benefit of proposed PPP projects. Here, the example of China could be taken. In China, a third party company first assesses the potential cost/benefit of proposed PPP projects. Then this assessment is further reviewed by commercial private banks to co confirm whether the project is bankable or not. Also, private sector representative might be involved in the preparatory stage of PPP projects to put their comment in such initiatives.

5.3 Develop Commercially Viable and Bankable Projects

No PPP projects would be valued by investors if it does not have sufficient profit earning capabilities. In fact, formulation of bankable PPP projects and selection of genuine private party is mandatory for effective public private partnership (Farquharson, Mastle and Yescombe, 2011). As private sector is the main player in project execution (who are always interested to get their investment back in shortest possible time), priorities should be placed in choosing commercially viable projects, rather than projects with high socio-economic value (Bhuyan, 2010). So, officials, mainly from government organizations, involved with designing of PPP projects should thoroughly analysis the earning capacity of such projects.

Government agencies might took some responsibility at their end for ensuring cost over-run, land acquisition and resettlement of legal or illegal occupants in project area and faster completion of linked projects etc. In case of projects with higher socio-economic value, government might increase the VGF (Vulnerability Gap Financing) fund for ensuring better profit margins of private investors. However, private sectors also have to come out from the mindset of earning immediate gain from such projects, as PPP arrangement is very long term in nature. Rather focus should be given on developing their technical innovation capability, forming strong private consortium, better risks allocation mechanism etc.

5.4 Ensure Full Fledged Support from the Government

Although Government of Bangladesh has shown its keen interest on PPP through establishing separate PPP office directly under Prime Minister's office and keeping separate budget allocation exclusively for PPP projects, still it requires policy intervention in manifold areas. Also government has to make a smooth pathway for the private investors in certain areas where government is in a better position to take the risks or handle the issue. As most PPP projects are construction type, land requisition is essential in most of the cases. Its well known that land acquisition is a very time consuming and complicated issue in Bangladesh due to dense population and without government direct intervention it might not be solved easily. So, government has to take responsibility of resolving this issue as a partner of PPP.

For offering lucrative PPP projects, government has to work on ensuring availability of finance in the market. One of the best options could be mobilize resources from the equity market, as the present financial market of the country is not yet ready for financing PPP projects for a such a long duration (25-30 years). Bangladesh could follow the example from other PPP enriched country where a company is form immediate after the launching of PPP projects and required resources is mobilized from the equity market. In this regard, government has to take initiative for reforming and strengthening Bangladesh Securities and Exchange Commission (BSEC). Also, the government has to pursue the multilateral and regional development banks for providing finance both in the form of debt and equity in addition to concessional loans of longer maturity periods (Bhuyan, 2010). Beside,

government might involve potential financiers in project preparation stage in order to make the projects bankable and mitigating the risks.

5.5 Improvement of Management Skills of Private Sectors

Efficient management skills from private sector is also very much needed for ensuring VFM in PPP projects. As discussed earlier, private sector have to play the main role in execution of projects including design, construction, operation, maintenance and financing etc. Since PPP projects are usually very large in nature and need huge resources, it is difficult for single firm to deal with all the responsibility to carry out such a project alone. Hence private sector organizations need to develop higher co-ordination capabilities in formation of effective private consortium, Special Project Vehicle (SPV), mobilization of resources and stakeholder management for execution of projects.

Private sectors also have to develop their management capabilities in appraising the merit of the offered projects. It was reported that failure of assessing the potentialities of projects is one of the main cause of failure for keeping a consistent project pipeline in Bangladesh (Kabir, 2012). Hence, private sector has to improve their management skill in assessing the value of PPP projects considering the culture of the project area, market condition, legal system, technologies and stakeholder expectation etc. (Chowdhury, Chy and Yasmin, 2014).

5.6 Bridge the Contrast between the Perception of Private and Public Sectors

Although it is seen in the study that the gap between the views of public and private sector officials on VFM measures of PPP is not that acute in Bangladesh, still there are scopes to improve. Specially the findings of the study reveals that public sector officials are not yet fully aware of the significance of government support that are felt insufficient from private investors. Apart from ensuring transparency and accountability in the whole PPP approval system, measures should be taken to infuse mutual trust and respect between the politicians and the private investors. In fact, government guarantee is very much needed in such early stage of PPP (Hardcaslte et al., 2005). Conversely, private sector officials seem to be quite indifferent about the significance of factors like private sector technical innovation and optimal use of asset/ facility and project efficiency. These factors are highly valued by public sector officials. Hence, steps should be taken to bridge these gaps between the two parties.

CHAPTER SIX: CONCLUSION

This chapter sum up the research with a recap of the objectives. First part of this chapter illustrates the key findings of this study along with possible policy measures appears essential for formulation of valued PPP projects in Bangladesh. And, the second part provides an indication for further researches in this area for future researcher.

6.1 Summary of the Findings

This study aims to identify the significance of 20 predefined values for money factors of PPP projects in Bangladesh through a questionnaire survey conducted on both private and public sectors of the country. In accordance to the overall ranking of the respondents, the top five VFM factors are, in descending order, government involvement in providing guarantee, realistic assessment of cost/benefit, and profitability of the private sector, government support and private management skill. The top factor government involvement in providing guarantee (this factor was taken on the basis of suggestion of local PPP experts) is quite unique in context of Bangladesh only, as it was not recognized by other similar study of other countries. The least significant factors were recognized as, in ascending order, environmental consideration, type of contractual modality, lower project life cycle cost, output based specification and reduction in dispute and litigation. However, each factor individually rated important, as the all mean score ranked over 3.63 in a Likter scale, where 1 denotes least important and 5 denotes most important (any score above 3.00 indicates important as VFM factor of PPP).

The second research objective was to identify the difference between perception of public and private regarding importance of VFM factors of PPP. Here, surprisingly, both parties have similar perception in approximately three fourth of the total factors. Most notable difference is found in the factor government support. Public sector respondents ranked it in 9th position, while private sector ranked it in 3rd position. Also, notable difference is recognized in factors like private sector technical innovation, optimal use of asset/facility and project efficiency and competitive tendering, where both the parties seems to be biased at their group interest.

Finally, in devising appropriate policy intervention for making lucrative PPP projects, the findings of the study suggest that government involvement in providing guarantee is the most important issue in determining valued PPP projects. However, as there is no prescribed formula of providing government support, the best possible thing that government can do is confirms its strong political will to march forward with PPP in any condition and extend all sorts of co-operation to private sectors required for execution of such projects. Government also has to develop its institutional capacity to assess the cost/benefit of offered projects in realistic way and to ensure formulation of profitable projects to private investors. Besides, private sectors also have put more emphasis on developing their management skills in handling PPP projects, rather than focusing only on making immediate profit.

6.2 Ways Forward for Future Researches

Apart from identifying the importance of VFM factors of PPP, this study sheds lights into few interesting facts. Firstly, the most significant VFM factors of Bangladesh is government involvement in providing guarantee, which was not even taken in other similar studies such as Li (2003), Ismail (2013) and Cheung (2009) etc. Secondly, both parties have almost similar perception in 75% VFM factors regarding their importance. However, both sectors have some limitation or communication gaps as well. The public sectors are not fully aware that private sectors are expecting government support in a greater degree including their guarantee. On the other hand, private sectors also seem indifferent about the expectation of government organization regarding management skill of private investors and optimal use of asset/facility and project efficiency. Finally, none of the sector is that much concerned about few essential factors such allocation of risks, competitive tendering etc., though these factors have been recognized vital in other countries. Still, these findings could be biased due to the limited scope of the study. Particularly, the sample size of the study was very limited in size. So, these issues could be further examined by upcoming researchers with a greater scale, resources and time.

Finally, applying VFM factors of other countries in context of Bangladesh might not be sufficient for identifying the exact factors of the country. In this regard, future researches might develop their exclusive VFM factors suitable particularly in context of Bangladesh with consultation of local experts or via workshop/seminars. This is also very difficult to understand the value adding feature of individual PPP projects from such a generalized ranking. So future researchers might also focus on particular sectors like education, transportation, health etc. or specific project type like BOOT, BOO, BOT etc. or case studies or other approaches.

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