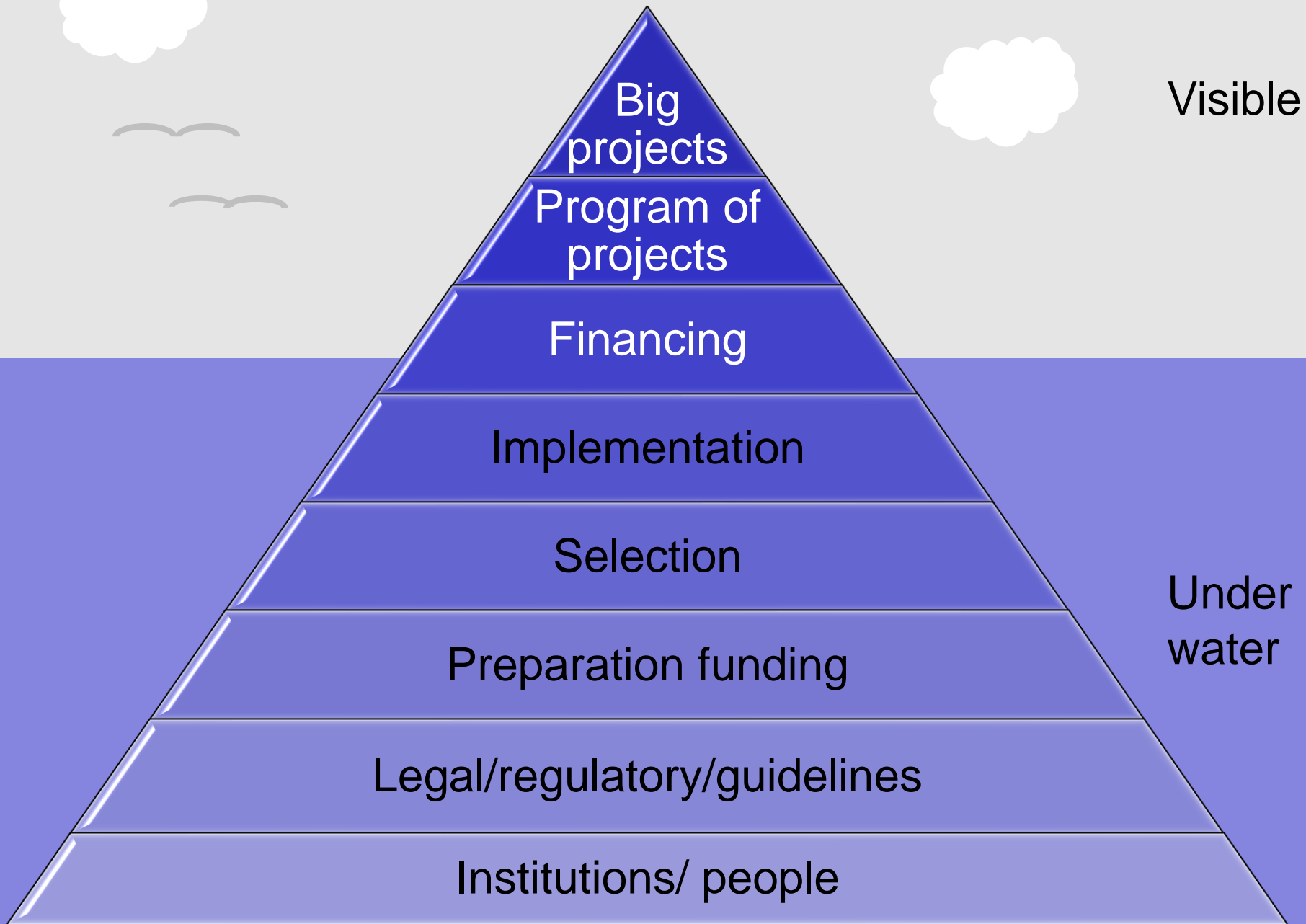




# **PPP Frameworks**

Municipal PPP Academy  
September 2019





# Building a Context for PPP

- Clarity/transparency/certainty
  - Demonstrating Government commitment
  - Setting the rules of the game
  - Empowering the players/ ensuring those rules are enforced
  - Setting the processes and procedures
- Coordination
  - Consistency and efficiency - bringing different public constituencies together
  - Matching Public and Private contexts
- Funding/resources
  - Ensuring access to funding of public entities (e.g. project prep)
  - Ensuring access to financing (equity and debt) of private investors

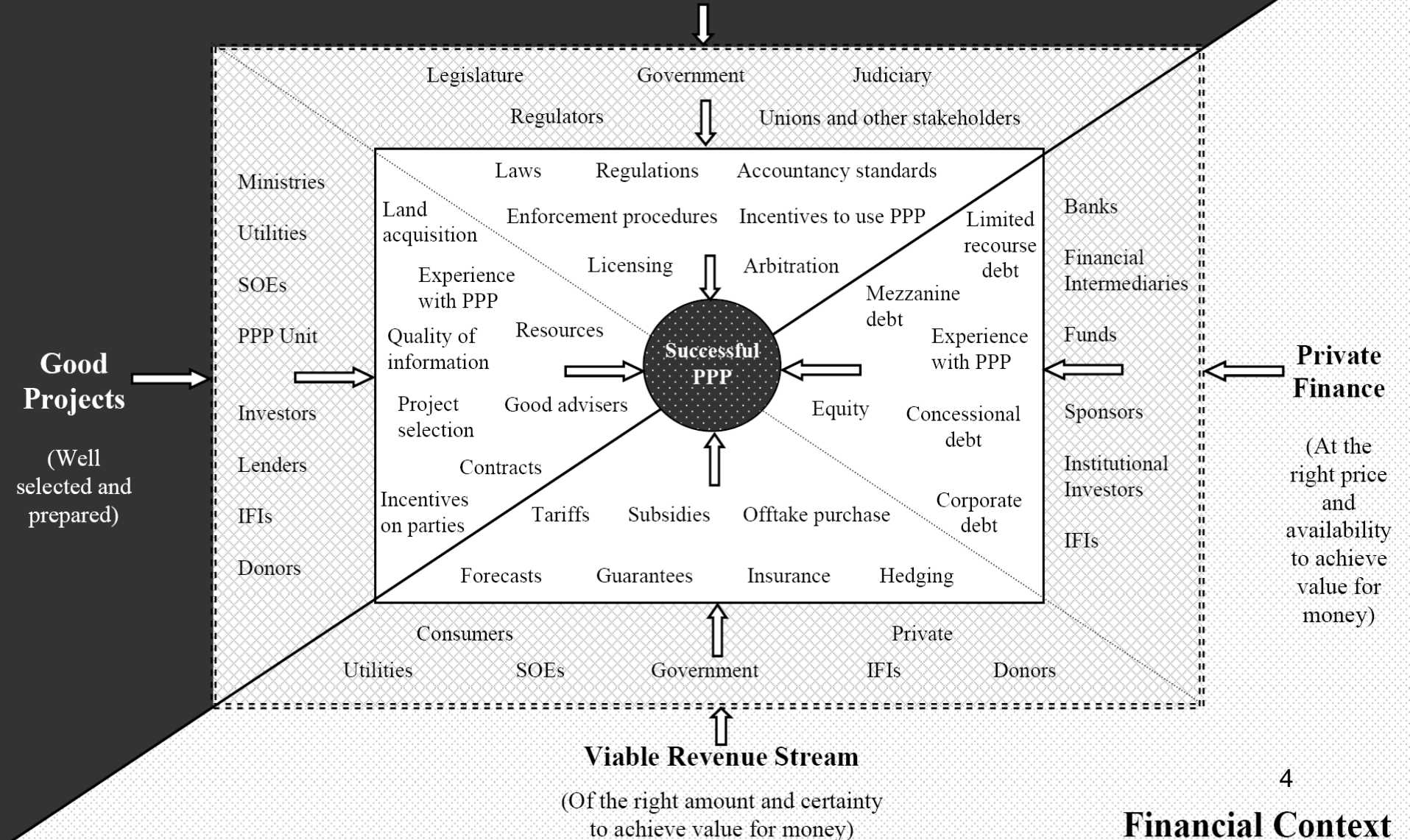


# PPP Investment Climate Paradigm

**Commercial Context**

**Conducive Climate**

(Political Will, Legal, Regulation)





# Government Inputs

## Legal / Institutional Framework

Policy objectives,  
Govt buy-in  
Clear allocation  
of tasks/mandate  
Coordination  
Procedures/  
decision criteria,  
Management of  
fiscal risk,  
Program  
oversight

## Project Selection

Choosing only  
most viable  
projects  
Choosing where  
to allocate public  
funds  
Coordination  
Ensuring PPP  
decision is  
maintained

## Project Implementation

Central resources  
and know-how  
Funding for good  
advisers  
Pre-feasibility  
Feasibility  
Transaction  
Implementation

## Gatekeeper

Fiscal risk  
management  
Rationing of  
Government  
support  
Ensure VfM  
Gather lessons  
learned –  
standard forms  
etc.







# Impact of Legal Traditions

## Common Law countries

Tend to rely on policy documents and administrative guidance materials

Longer history of government-pays PPPs than civil law countries

User-pays PPPs are a more recent development

## Civil Law countries

More likely to enact the framework in statute law and use detailed rules and regulations with legal force

Long history of user-pays PPPs (often termed "Concessions")

Government-pays PPPs are a more recent adaption from common law countries





# Urban Dynamic (1)

- Saint Petersburg, Russia
  - Federal law cumbersome, used Municipal law to create a conducive legal framework
  - Federal financial support available, but inflexible. Helped City to adjust its project financial dynamic to fit with Federal requirements, while using Municipal finance to provide flexibility, e.g. toll road sections
  - Saint Petersburg Oblast big enough to merit its own PPP Unit and Government support mechanism



# Urban Dynamic (2)

- Indonesia
  - Decentralization moves responsibility to local government while skills and most funding remains in central government
  - Capacity in Central Government
    - PPP Unit, risk management unit with ability to provide government support.
    - But focused on Central government projects. Dynamic changing
    - government support available for local government projects difficult to allocate
  - Reforming internal transfer system to encourage infrastructure investment and use of most efficient mechanisms, e.g. PPP



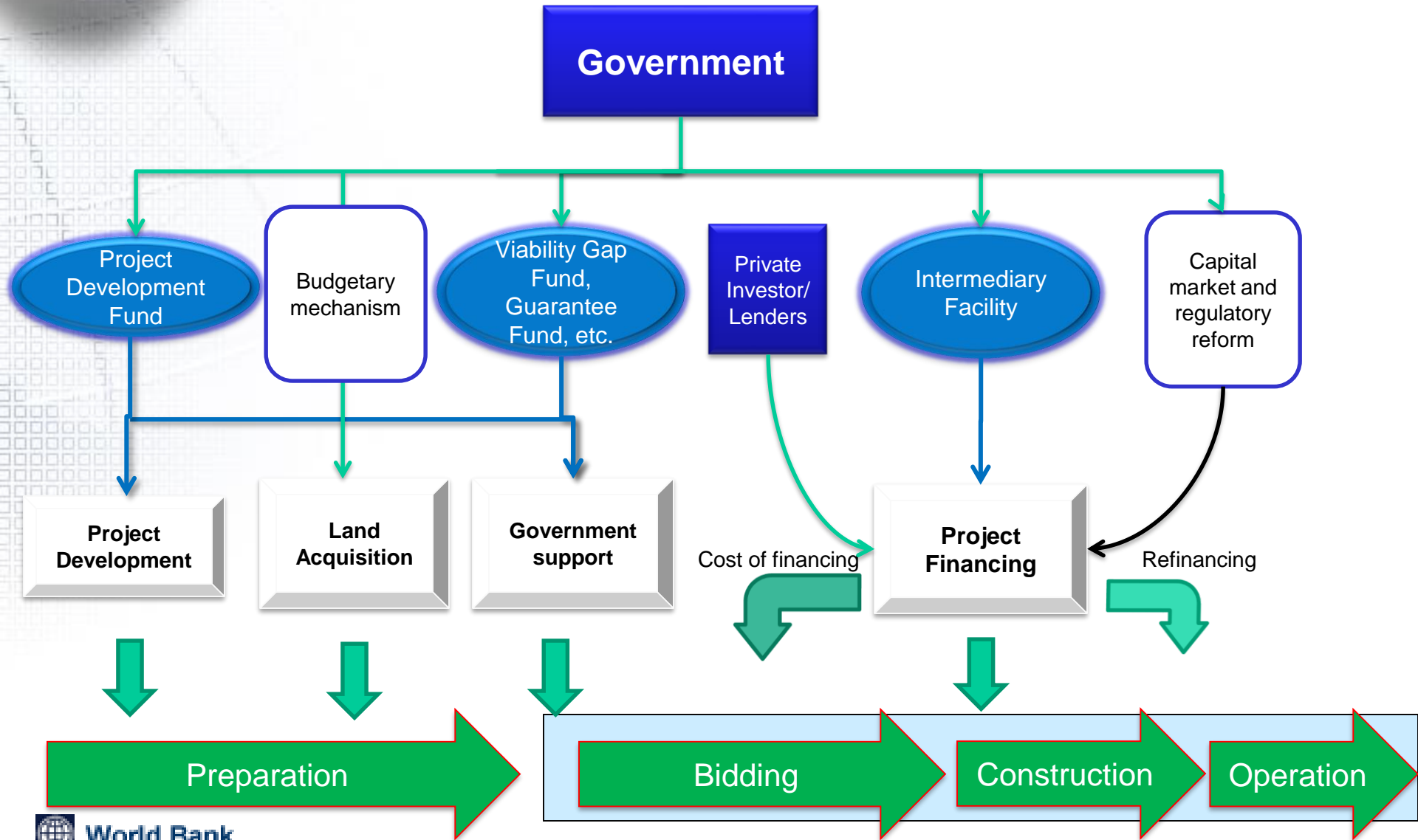


# Interfaces matter within public sector and between public and private sector

- ❑ **Leadership** of initiative –high level with calling powers;
- ❑ **Contracting authorities/Line Ministries:** prioritize within sector, develop pipeline aligning public and private investment program, design and implement projects;
- ❑ **Treasury/Finance:** assesses fiscal impact/manages contingent liabilities; approves/modifies terms;
- ❑ **Inter-Ministerial Council:** approves policies (risk allocation) and prioritizes projects;
- ❑ **PPP unit:** monitors PPP program; designs procedures (preparation, procurement, quality), designs contracts, advises/sometimes executes transactions;
- ❑ **Oversight body:** oversees compliance w/ concession contract, laws & regulations, approves adjustments;
- ❑ Dispute resolution framework (arbitration)



# Flight to Quality





# PPP Institutions in Korea

Ministry of Commerce,  
Industry and Energy

Ministry of Maritime  
Affairs and Fisheries

Ministry of Construction  
and Transportation

Other line ministries

Local Governments

Ministry of Planning and  
Budget

PIPC – Private Investment  
Project Committee  
(Chairman – Minister of  
planning and Budget)

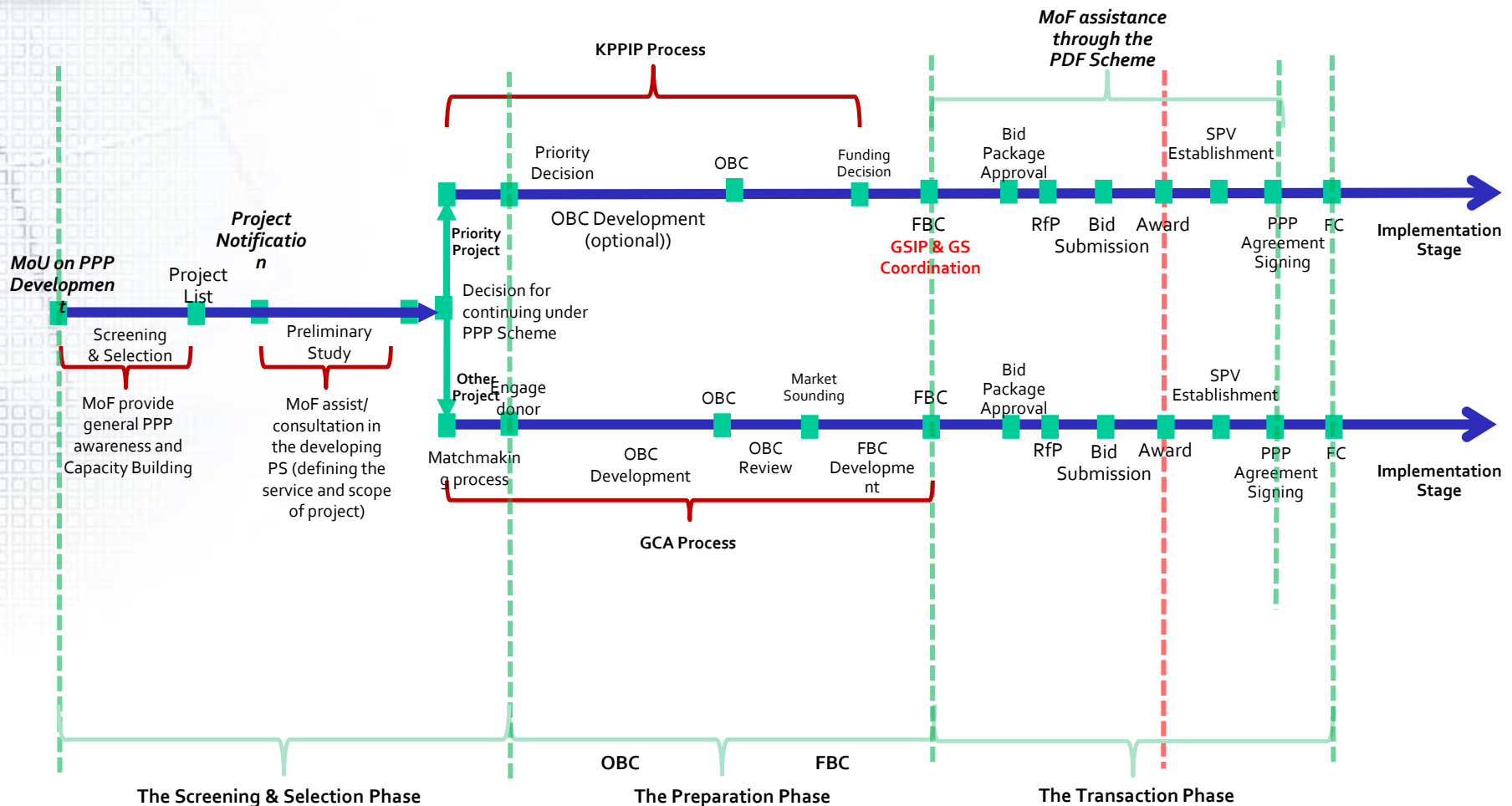
PIMAC –  
Private  
Infrastructure  
Investment  
Management  
Center (branch  
of Korea  
Development  
Institute)

PPP Act, PPP Decrees,  
Annual Plan, Guidelines -  
consistency and  
transparency but also agile  
policy change reflecting  
market condition

- ✓ Leading Government Ministry
- ✓ PPP Unit
- ✓ Risk Management Unit
- ✓ PPP Nodes
- ✓ PPP Board



# Indonesia Business Process





# India: Creating an Enabling Environment

## Regulatory Framework

- ✓ Establishing legitimacy of the projects/concept
- ✓ Predictability & equity of decision making
- ✓ Removing bottlenecks

- Regulatory Institutions
- PPP Cells
- Model bidding documents
- Model contractual documents
- Infrastructure Acts
- Quality check through PPPAC/PIB
- Shifting of utilities and Land acquisition responsibility of the Authority

- Ensuring competition & transparency in bid process
- Land acquisition
- Regulatory & Environmental clearances
- Mechanisms for speedy dispute resolution
- Audit & Right to Information
- Contingent liabilities framework

## Financing

- Viability Gap Funding
- Annuity frameworks
- Comfort to lenders in Termination/FM clauses
- Long Tenor Loans through IIFCL
- Refinancing

- Innovation with newer structures (Hybrid models)
- Annuity Risk Fund
- Innovative mechanisms of Financing
- Credit Enhancement
- Infrastructure Debt Funds





# India: Creating an Enabling Environment (2)

## Project Pipeline:

- ✓ Shelf of Projects
- ✓ Robust structure

- India Infrastructure Project Development Fund
- Panel of Transaction Advisers
- Pilot Projects Initiative
- Independent Engineer part of project design

- Exploring new sectors for private participation (Rural, Agri Storage, Social infra)
- Benchmarking performance
- Establishing output parameters and KPIs
- Handling climate change through project design

## Capacity Building

- Strengthening PPP Cells
- Training Programmes
- National PPP Programme
- Establishment of Centers of Excellence
- Toolkits & Templates

- Strengthening ATIs & CTIs
- Enhancing private sector capacities
- Ability to projects & structure projects
- Ability to **manage** contracts and **monitor** outputs and outcomes

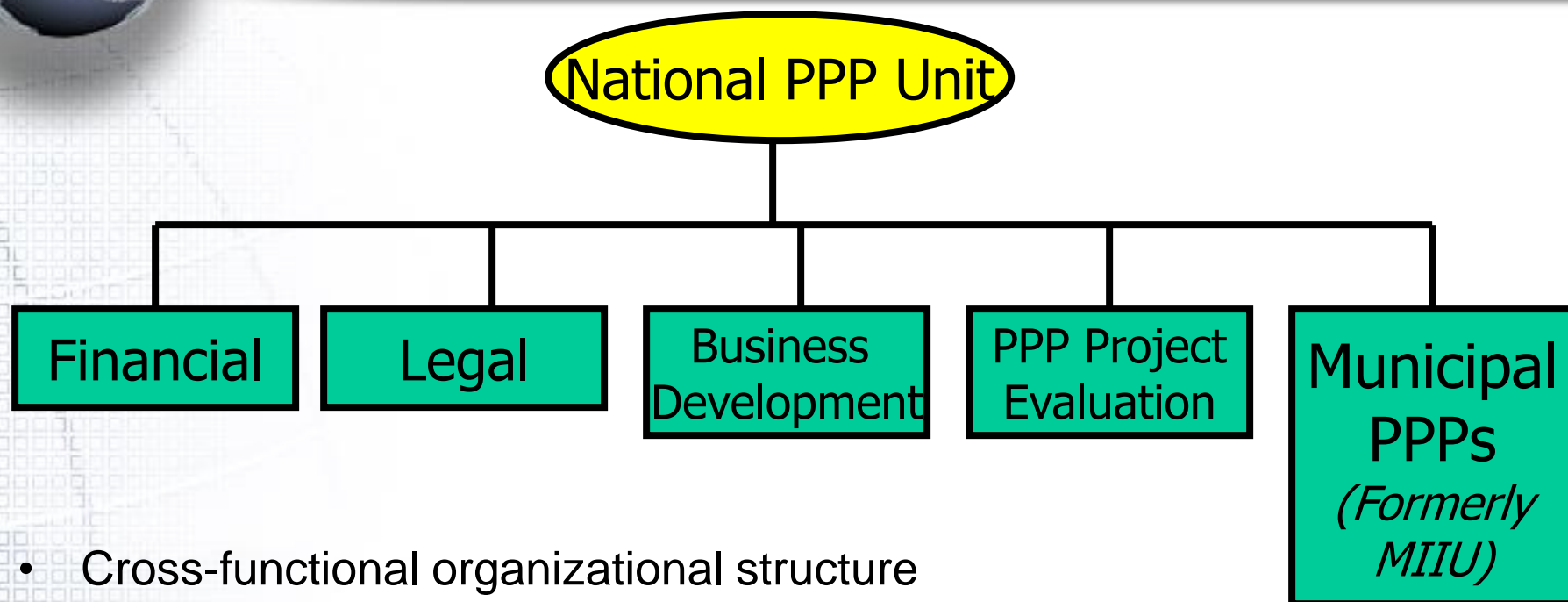
## Advocacy

- Information
- Consultation
- Communication

- Political acceptability
- Stakeholder management
- Sustained Communication over project life cycle, especially relating to changes in project design<sup>14</sup>



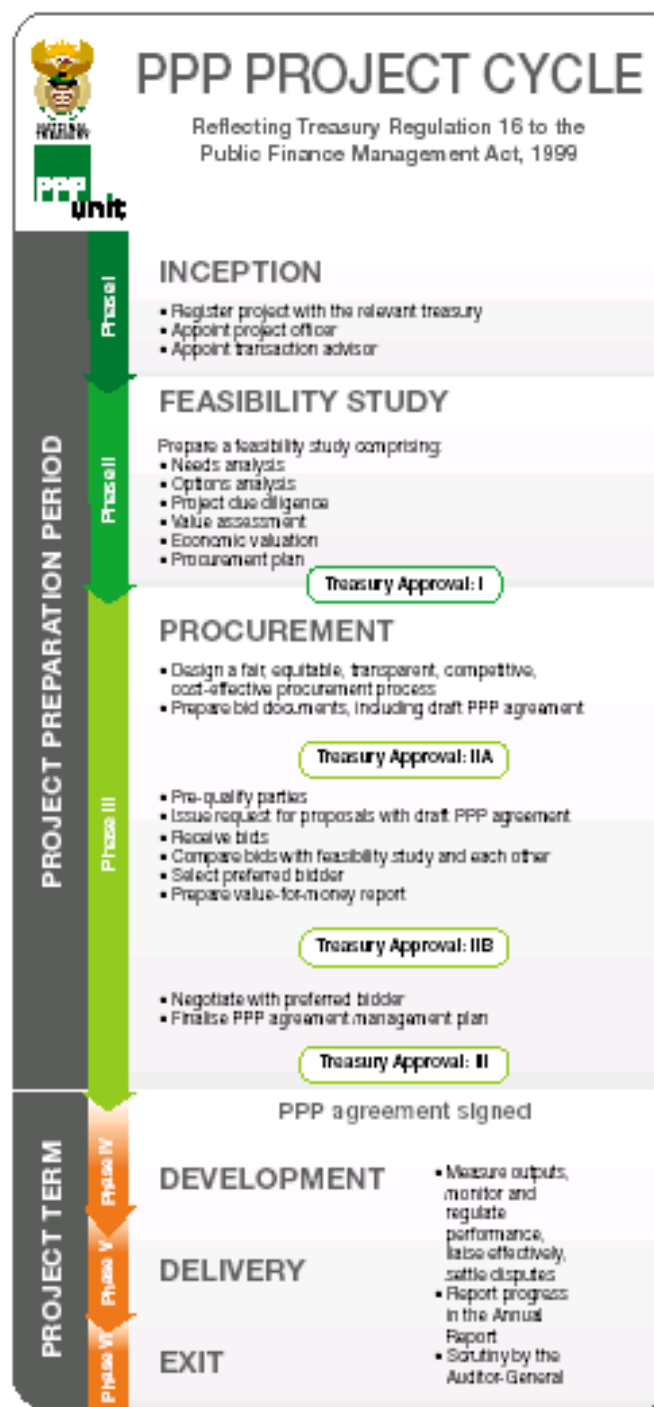
# Structure of the RSA PPP Unit



- Cross-functional organizational structure
- Approximately 12 professional staff
- Each professional staff member gives hands-on PPP technical assistance to a sector-specific (eg health, tourism, IT, accommodation) portfolio of registered projects, and each also gives his/her specialist (eg financial, legal, BEE) advice on every regulated PPP project at various phases in the PPP project cycle.
- All PPP Unit staff are active in ongoing policy formulation and training.



# South Africa's PPP Manual & Project Cycle:



PPP Manual reference

Module 1  
Module 2  
**MODULE 3**  
Module 5

Module 1  
Module 2  
**MODULE 4**  
Module 6  
Module 7  
Module 8  
Module 9

Module 1  
Module 2  
Module 4  
**MODULE 5**  
Module 6  
Module 7  
Module 8  
Module 9

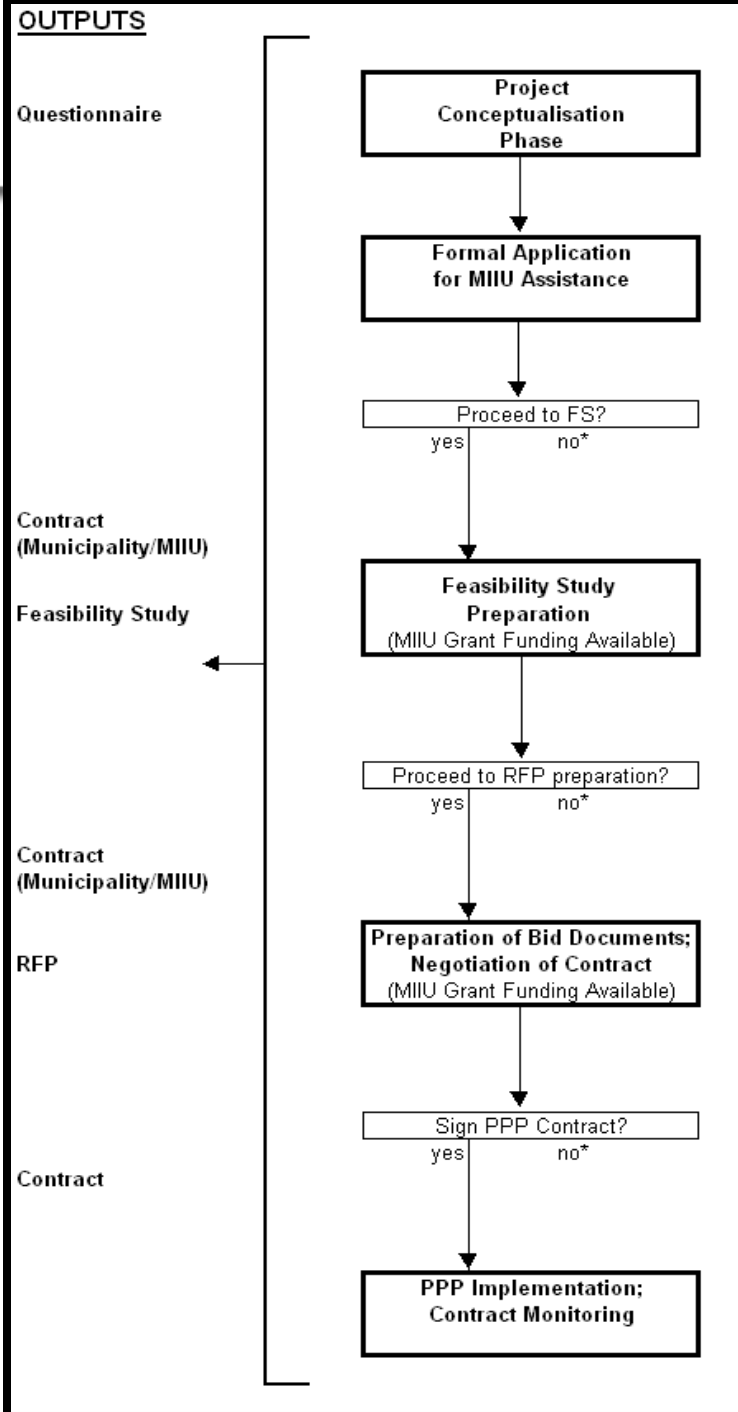
Module 1  
Module 2  
Module 5  
**MODULE 6**  
Module 7  
Module 8  
Module 9



Municipal Infrastructure  
Investment Unit

# Decision-Making Flow Diagram

(Source: MIIU  
[www.miiu.org.za](http://www.miiu.org.za) )





## Summary: PPP Units through the PPP Life Cycle

	Policy formulation and coordination	Quality control	Technical assistance	Promote/ market PPPs	Standardization and dissemination
Bangladesh	✗	—	✓	✗	—
Jamaica	—	✗	—	✓	—
Portugal	✓	✓	✓	—	—
South Africa	✓	✓	✓	—	✓
South Korea	✓	O	✓	✓	✓
The Philippines	✗	✗	✓	O	✗
UK	✓	✓	✓	✓	✓
Victoria	✓	✓	✓	✓	✓

Key: ✓ = intended function, ✗ = intended function, but ineffective, O = intended function, but effectiveness unclear, and — = not an intended function



# Sample of PPP Units/ Agencies - Functions

	Review Bodies			Full Service Agencies		
	MAPPP (France)	Partnerships South Australia	S. African PPP Unit	Infra. Ontario	Partnerships BC	Partnerships UK
<b>Business Planning</b>						
Assess Project Feasibility	I	I	I	D	I/O	I/O
Develop / Review Business Plans	I	I	I	D	I/O	I/O
Approve PPP Projects						
Provide Recommendations to Approval Bodies	D	D	D		D	D
Assist in Finding a Project Advisor	D	D	D	D	D	D
<b>Procurement Process</b>						
Develop Standard Documents (RFP, Contracts, etc.)	I/O	I	I	I/O	D	D
Procurement Support	I/O	I	I/O	I/O	D	D <sup>2</sup>
Bid Evaluation	I	I	I	I/O	I/O	I/O
Contractual Support	I	I	I	I/O	I/O	I/O
<b>Project Implementation</b>						
Project Management				D	D	D
Financing				D <sup>1</sup>		D <sup>3</sup>
Technical Support				D	D	D
<b>Market Development</b>						
Determine and Share Best Practices	D		D	D	D	D
Public Relations			D	D	D	D
Develop PPP Policy		D	D		I/O	I/O
Development of PPP Market (increasing # of bidders, etc.)	D		D		D	D

## Legend:

**I:** Indirect Oversight – review documents/decisions, but not involved in day-to-day work. **D:** Direct Involvement – involved in the day-to-day work alongside the advisor or service agency.



# Emerging Market PPP Frameworks

<b>PPP Framework Elements</b>	<b>Philippines</b>	<b>Malaysia</b>	<b>Chile</b>	<b>Mexico</b>	<b>Hungary</b>	<b>South Africa</b>	<b>India</b>	<b>Your Country?</b>
PPP Policy Statement	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Multi-Sector PPP/Concession Law & Regs.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Multi-Sector PPP Technical Unit	Yes	Yes	Yes	No	Yes	Yes	Yes	
Line Min./Sector PPP "Nodes"	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
PPP Project Dev. Facility (PDF)	Yes	No	No	No	No	Yes	Yes	
PPP Procurement Regulations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Unsolicited Proposal Procedures	Yes	Yes	Yes	No	No	Yes	Yes	
Published PPP Manuals/Guidelines	Yes	No	Yes	Yes	Yes	Yes	Yes	
Public Sector Credit Enhancements Allowed (VGF, Contingent Liabilities, etc.)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
Public Sector Risk Management Framework: Unit & Regulations	Yes	Yes	Yes	Yes	Yes	Yes	Not Yet	
Systematic PPP Training & Capacity Building	Yes	Yes	Yes	Yes	Yes	Yes	Not Yet	
Infrastructure Regulatory Bodies & PPP Contract Monitoring Units (CMUs)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	



# PPP Framework Survey Results AfDB (2009)

			Ghana	Kenya	Nigeria	South Africa	Togo	Uganda	Zambia
PPP and PSP Indicators	Frameworks	Is there a multi-sector PPP policy, law or regulation?	YES	NO	YES	YES	NO	IN PRG	IN PRG
		Is the policy/law/regulation effective?	NO	N/A	NO	YES	N/A	N/A	N/A
		Are there specific guidelines/procedures/procurement rules for PPPs?	YES	IN PRG	YES	YES	NO	NO	NO
		Is there a multi-sector PPP unit?	NO	IN PRG	IN PRG	YES	NO	YES	NO
		Are there PPP or PSP frameworks/guidelines specific to certain sectors?	NO	NO	YES	YES	NO	NO	NO
	Capacities	Public sector capacity to evaluate (risk analysis) and support (finance/operations) PPP/PSP?	MED	MED	MED	HIG	IN PRG	MED	MED
		Domestic private sector capacity to support (finance/operations) PPP/PSP?	MED	MED	HIG	HIG	MED	MED	MED
	Projects	Total capital investment in transactions involving PSP 1997-2007 (US\$ millions)(source: WB PPI database)	710	2,959	14,091	8,497	595	937	803



# Examples of PPP PDFs:

	<u>Name</u>	<u>Country(s)</u>	<u>Capitalization</u>	<u>Year</u> <u>Estab.</u>	<u>Notes</u>
1	Municipal Infrastructure Investment Unit (MIU) Project Development Facility	South Africa	\$4.0 million	1998	Grant-fund
2	Philippines Local Government Unit (LGU) Infrastructure Development Fund	Philippines	\$10.0 million	1998	Revolving Fund
3	NEPAD & AfDB Infrastructure Project Preparation Fund (IPPF)	Africa	\$10.0 million	2004	Grant-fund
4	Private Enterprise Partnerships for Southeastern Europe Infrastructure ("PEPSEI")	Albania, Bosnia, Bulgaria, Croatia, Macedonia, Romania	\$10.0 million	2006	Grant-fund
5	India Infrastructure Project Development Fund (IIPF)	India	\$20.8 million	2007	Revolving Fund



# **PPP Frameworks**

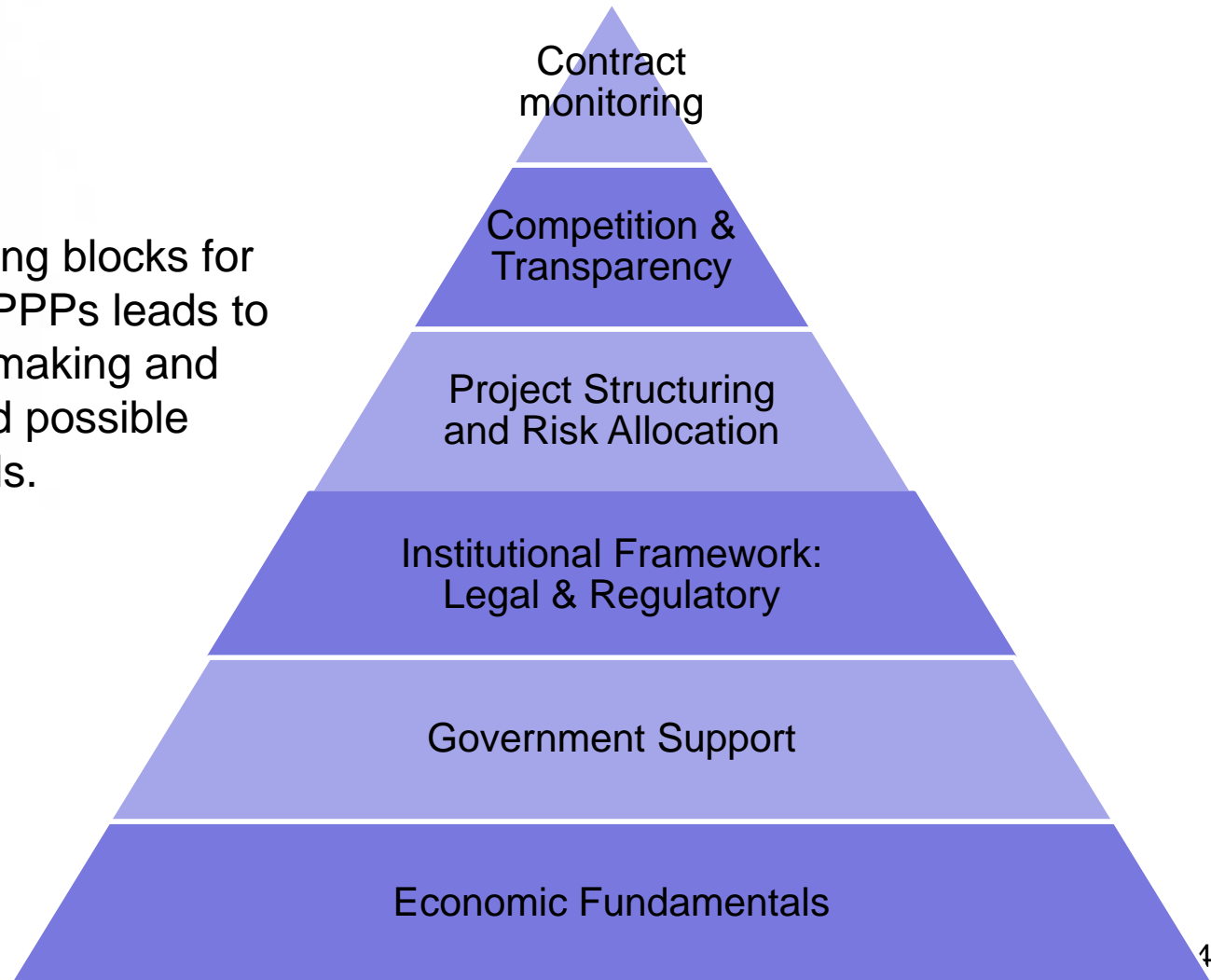
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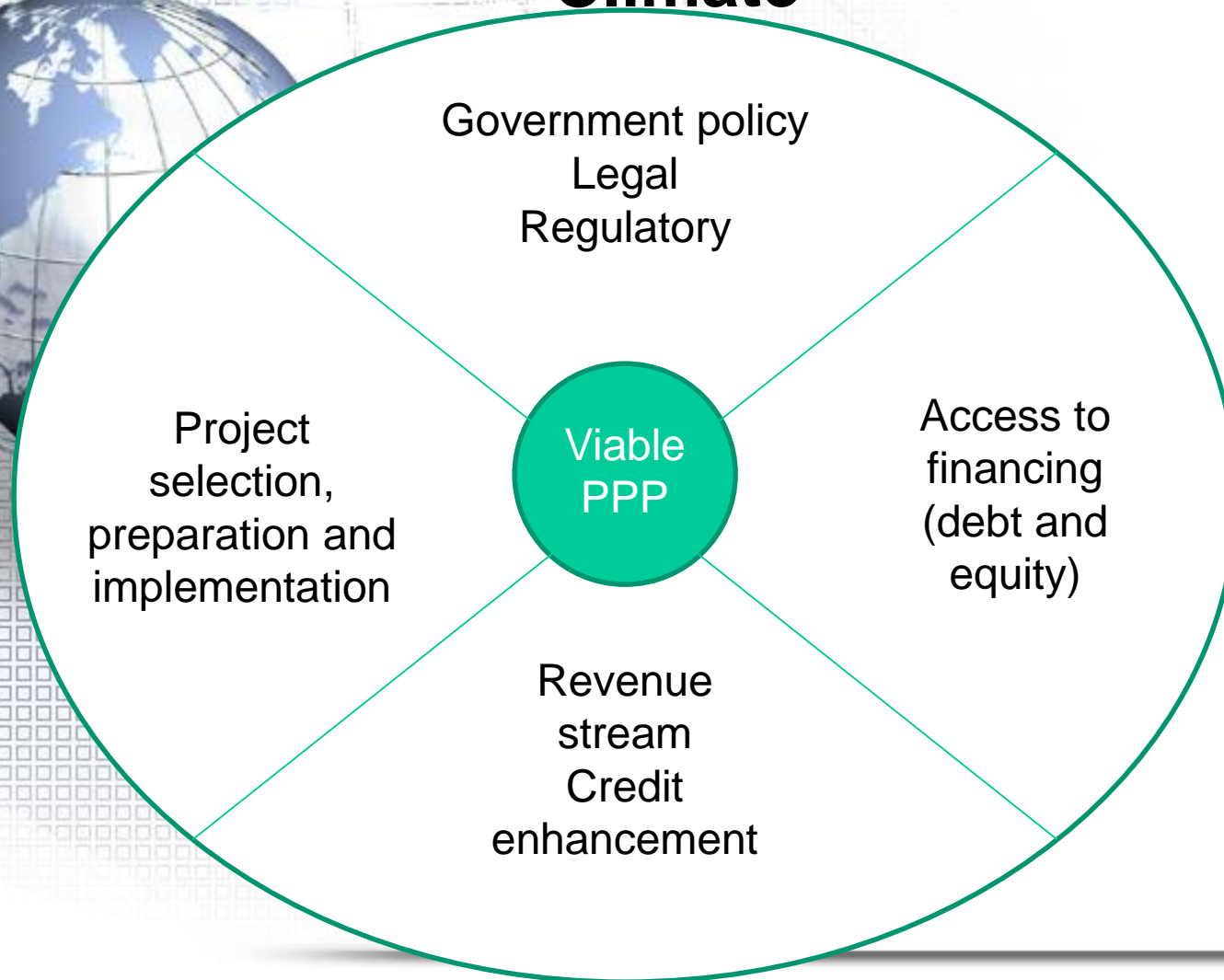


# Steps towards Building successful PPPs

Lack of basic building blocks for implementation of PPPs leads to delays in decision making and implementation and possible break-down of deals.

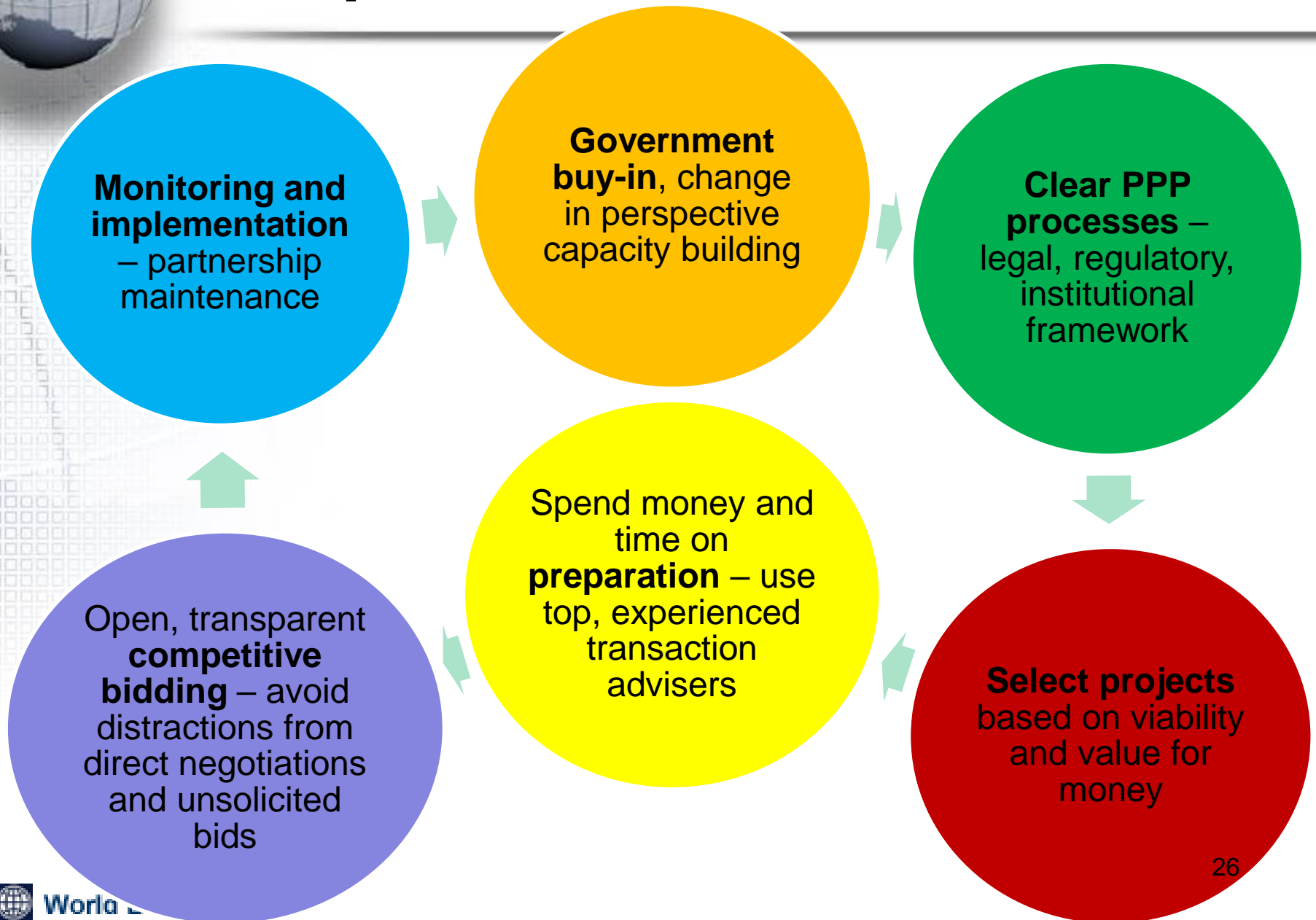


# The Context of a Conducive PPP Investment Climate

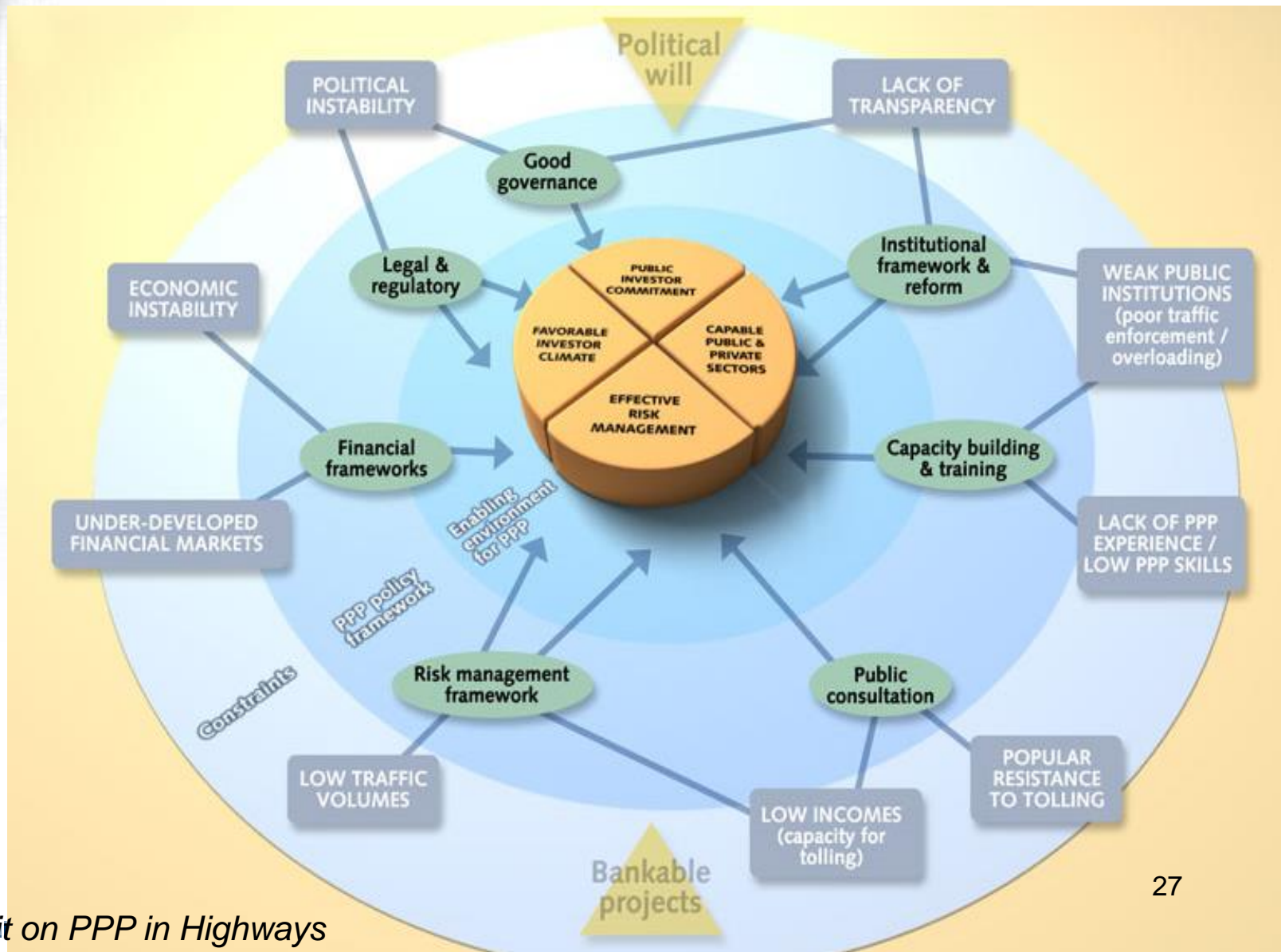




# Recipe for success



# Creating an enabling environment through sound PPP policy framework



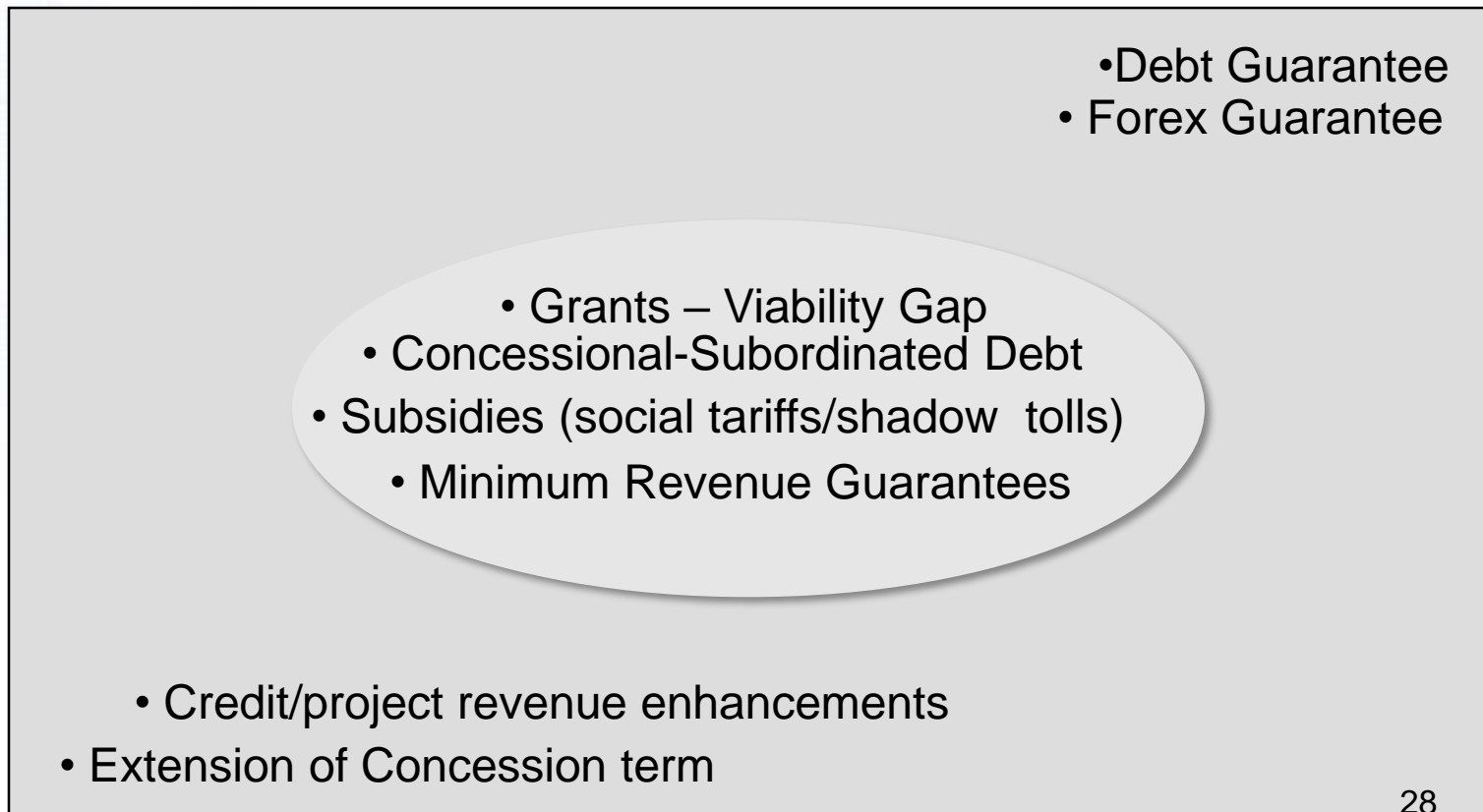


# Government support when justified, balancing bankability & fiscal exposure

- Projects socially/economically desirable but not financially viable
- Options aimed at increasing project's IRR, reducing cost of capital or reducing uncertainty to close the gap between IRR and CoC

High

Impact on project capacity to  
mobilize debt - bankability



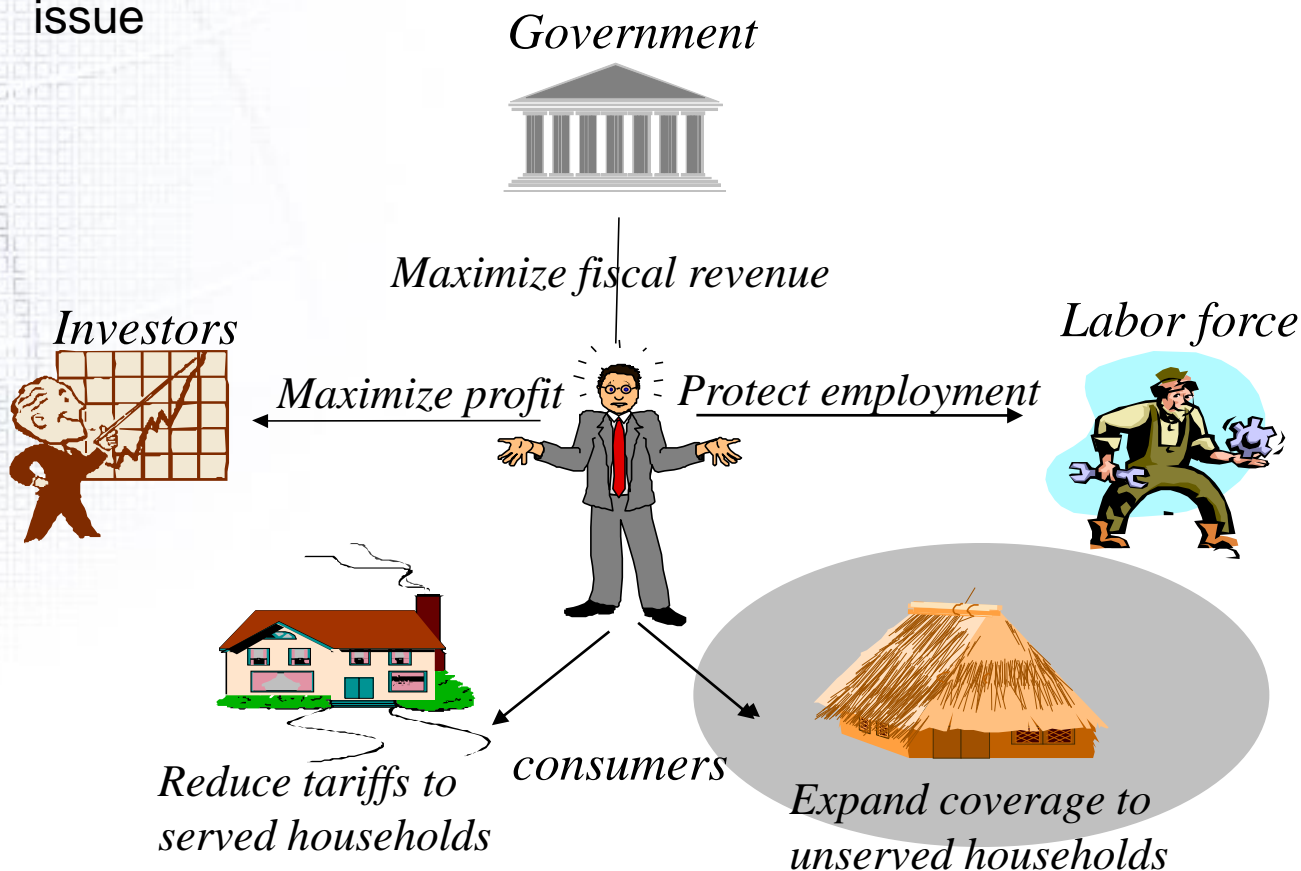
28





# Coverage is key to social/political sustainability

Distributing benefits among different stakeholders can be a conflicting design issue



## Paro cívico en El Alto hasta que se vaya Aguas del Illimani

Tomado de Prensa Añka - Jairo Mamani (25/11/2004 10:27)

El paro cívico indefinido comienza a transitar hacia la Guerra del Agua. La Fejuve tiene el apoyo de la Federación de Regantes de Cochabamba. Dirigentes de las juntas vecinales afirman que sólo las respuestas positivas a las demandas pueden aplicar la medida de presión. El viernes se desarrollará una asamblea de emergencia para planificar el paro que se iniciará a partir del próximo lunes.



Juntas de vecinos y estudiantes



# Opportunistic contract re-negotiations erodes credibility of PPPs

Frequent renegotiation has negative impact on sector performance, tariffs, investment levels and ability to regulate concessions efficiently

Incidence of Renegotiation of Infrastructure Concessions in Latin America 1988-2008

	Renegotiated Concession	Average Time to Renegotiation
All Sectors	61%	1.8 years
Electricity	25 %	2.1 years
Transport	73%	2.9 years
Water	87%	1.3 years

30



# Scaling up

# GoI PPP Program

