

Municipal PPP Framework

Introduction to the Project Concept Assessment Tool

16 September 2019



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Introduction

This tool:

- ✓ Guides practitioners through a very early, preliminary assessment of a project's PPP potential
- ✓ Is designed for application at the conceptual stage, when very limited data is available
 - Though the same or similar questions should be asked throughout project development
- ✓ Can help determine whether to proceed to a more detailed (and costly) feasibility study
- ✓ Is meant to be used in conjunction with **Module 3: Project Concept Note**

This tool does not:

- ⊗ Give a numeric score or other hard ranking metric
- ⊗ Offer a definitive answer as to whether to pursue a project or not
- ⊗ Assign weight to different questions or indicate how responses to different questions might affect one another
 - E.g., a shortfall in creditworthiness compensated by the provision of credit enhancements

Section 1 – Preliminary Considerations

Project Rationale

Is there a strong justification for the project?

- PCN, obvious need/demand for the project, alignment with development plans/priorities, econ and social benefits, etc.
- Screen out “wish-list” and residual projects – projects with a strong justification are more likely to succeed in general, and more likely to attract private sector interest

Legal Basis

Is there a clear legal basis for delivery as a PPP?

- PPP may be limited to certain sectors/subsectors – is private participation allowed in this type of project?
- Is this type of project within the municipality’s exclusive mandate to deliver?

Capex & Duration

Is the estimated investment cost and duration appropriate for PPP?

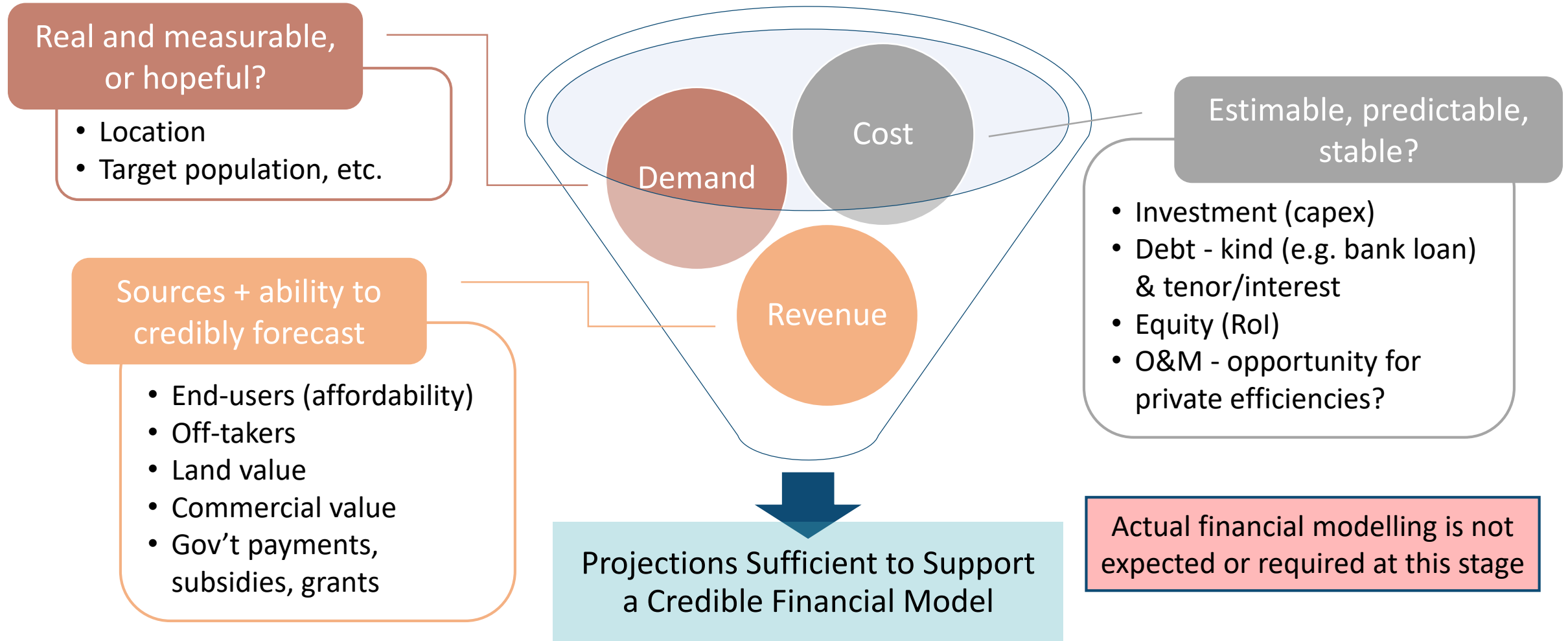
- Larger size / duration tend to be more attractive, and so likely to have more robust competition during procurement
- Smaller, shorter projects can still make good PPPs, but preparatory costs and liabilities may be (unduly) large

Preparatory Funds

Is/will there be funding for needed preparatory work?

- PPP project development requires time and money, but pays dividends later
- Has the municipality budgeted funds or identified a source of extra-budgetary support to develop the project (e.g. feasibility studies)?

Section 2 – Financial



Section 3 – Technical

Site

- Location identified and suitable for intended use (e.g. accessible, properly graded/zoned, utilities)
- Land is owned/can reasonably be acquired, free of all encumbrances

Concept

- Scope/outcomes/outputs are known and measurable (e.g. no. of persons/households served, facility size, coverage area)
- Technical feasibility: projects of this type have been done before; project uses proven/tested technology

E&S

- Environmental: e.g. risks to natural resources/protected lands, GHG emissions, resiliency
- Social: e.g. resettlement, risks to well-being of users, workers or local population, public opposition

Key issue: technical options analyses

E.g. MRT vs. BRT

Early identification and plan/cost to mitigate

Section 4 – Legal

Legal / Institutional Framework

- What rules apply?
 - PPP-specific
 - Infra/sector-specific
 - Procurement

Tariff Authority

- Legal and institutional framework for:
 - Pricing
 - Collection
 - Retention/use
- Can any/all above be determined by PPP contract and/or delegated to PSP?

Legal Prerequisites

- Identify any/all:
 - Preparatory requirements
 - Approvals – local legislative, central gov't
 - Licenses and permits (business, construction, environmental, etc.)

Contractual Authority

- Is the PPP contract enforceable?
 - Contracting party (e.g. municipality vs. local utility co.)
 - Signatory (e.g. chief exec.)
 - Binding long-term (i.e. past term of current chief exec.)
- Lender direct agreement allowed?

Section 5 – Miscellaneous



PSP Interest

- Is there reason to expect multiple, credible bids from potential PSPs?
 - Similar projects completed locally / regionally / nationally
 - Investor interactions (e.g. market consultations, discussions, known market actors)
 - Public partner creditworthiness, incl. credit enhancement mechanisms (e.g. guarantees)

Note possible negative interactions that could undermine open, competitive bidding



Liabilities

- Are fiscal / contingent implications foreseeable and manageable?
 - Payments
 - Related and/or contingent activities
 - For brownfield – plan for lost revenue
 - Contingent liabilities (e.g. termination compensation)

An obligation “confirmed by occurrence or non-occurrence of uncertain future events”

Responses to Project Concept Assessment Tool

Strongly agree

Somewhat agree

Somewhat disagree

Strongly disagree

