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

- Investment (capex)
- Debt - kind (e.g. bank loan) & tenor/interest
- Equity (RoI)
- O&M - opportunity for private efficiencies?
- End-users (affordability)
- Off-takers
- Land value
- Commercial value
- Gov’t payments, subsidies, grants

Real and measurable, or hopeful?
- Location
- Target population, etc.

Sources + ability to credibly forecast

Estimable, predictable, stable?
- Investment (capex)
- Debt - kind (e.g. bank loan) & tenor/interest
- Equity (RoI)
- O&M - opportunity for private efficiencies?

Actual financial modelling is not expected or required at this stage

Projections Sufficient to Support a Credible Financial Model

Sources + ability to credibly forecast

- End-users (affordability)
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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

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

**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?

**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

- 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)

- 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)

Note possible negative interactions that could undermine open, competitive bidding

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